

Lump Sum National 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 2023. 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 Lump Sum National Scheme is a defined contribution scheme. The benefits payable by your Scheme are guaranteed by the Crown.

LOCKED-IN SECTION

The Locked-in section of the Scheme was created on 1 July 2007 as an alternative to KiwiSaver schemes. The Locked-in section has many of the benefits of KiwiSaver schemes and also has the Crown guarantee and the 4% pa minimum earnings rate. These two features are hallmarks of the NPF defined contribution schemes and are not available with KiwiSaver schemes. Further details are available on our website – www.npf.co.nz.

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 (global) | (5.49%) | (4.89%) |
| New Zealand shares | (1.87%) | (1.17%) |
| Overseas shares | 0.13% | (2.77%) |

The investment return (after tax and expenses) earned by the Scheme, for the year ended 31 March 2023, was (1.91%) (2022: 2.36%). In dollar terms, this represents investment loss of \$9.3 million (2022 investment gain: \$13.26 million).

Annual Report for the year ended 31 March 2023

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 2023.

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

Lump Sum National Scheme

INVESTMENT PERFORMANCE CONTINUED

Around the world the ongoing impacts of the Covid-19 pandemic, central banks' response to address rising inflation and heightened geo-political instability, most noticeably evident in the ongoing conflict in Ukraine, have led to a significant economic slowdown and financial market volatility. The impact of these factors is likely to continue into the foreseeable future with flow on impact on the returns from the Scheme's investments. The Board continues to monitor the impact of the movements in the market, and the implication for investment strategy, on an ongoing basis.

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.

EARNINGS RATE

The earnings rate declared by the Board for the Scheme for the year ended 31 March 2023 was 4% on contributors' total credits as at 1 April 2022, and 1.6% on contributions paid during the year. In line with the Board's crediting and reserving policy, the difference between the investment return of (1.91%) and the earnings rate of 4% credited to members' total credits as at 31 March 2023 has been taken from the reserves of the Scheme. As at 31 March 2023 there were no reserves as part of contributors' total credits (2022: 4.4%).

The objective of the Board's crediting and reserving policy is to build the reserves back up to 10% of contributors' total credits. An equitable share of any positive reserves is added to a contributor's total credit on retirement, withdrawal through redundancy or permanent incapacity, or on death before the contributor has commenced receiving a benefit.

HOW YOUR MONEY IS INVESTED

The Scheme's asset allocation strategy is set by the Board and reviewed regularly. The asset allocation strategy was reviewed by the Board in December 2021 and the 5% allocation to Alternatives was reallocated to equities and fixed interest effective from 1 February 2022. The asset allocation was further reviewed in May 2022 and no changes were made. In addition, during the year, the Board has applied its Dynamic Asset Allocation (DAA) tilting programme as outlined in the Statement of Investment Policies, Standards and Procedures (SIPSP).

The pie chart shows the Scheme's asset allocation strategy effective from 1 February 2022 (and current as at 31 March 2023). There was no DAA tilt in place as at 31 March 2023.

The Board's 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, for more information about your Scheme, including the Board's SIPSP, and the Scheme trust deed.

WHO INVESTS YOUR MONEY

Fixed Interest Managers

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

New Zealand Equity Managers

Devon Funds Management Limited
Harbour Asset Management Limited

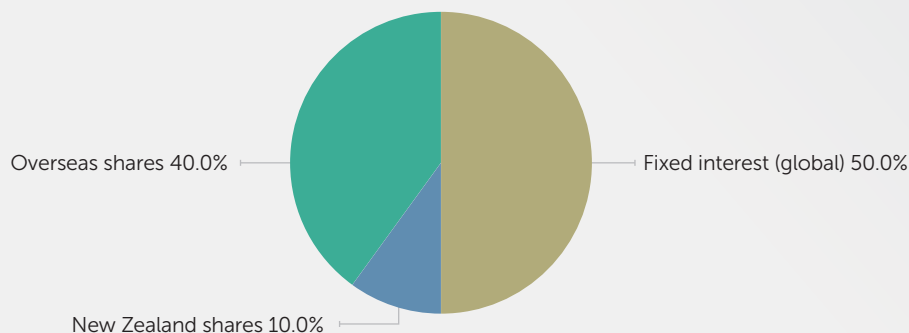
Overseas Equity Managers

Arrowstreet Capital, Limited Partnership
Lazard Asset Management, LLC
Russell Investment Management Limited
(terminated 14 June 2022)
T. Rowe Price Australia Limited

Foreign Exchange Currency Hedging Manager

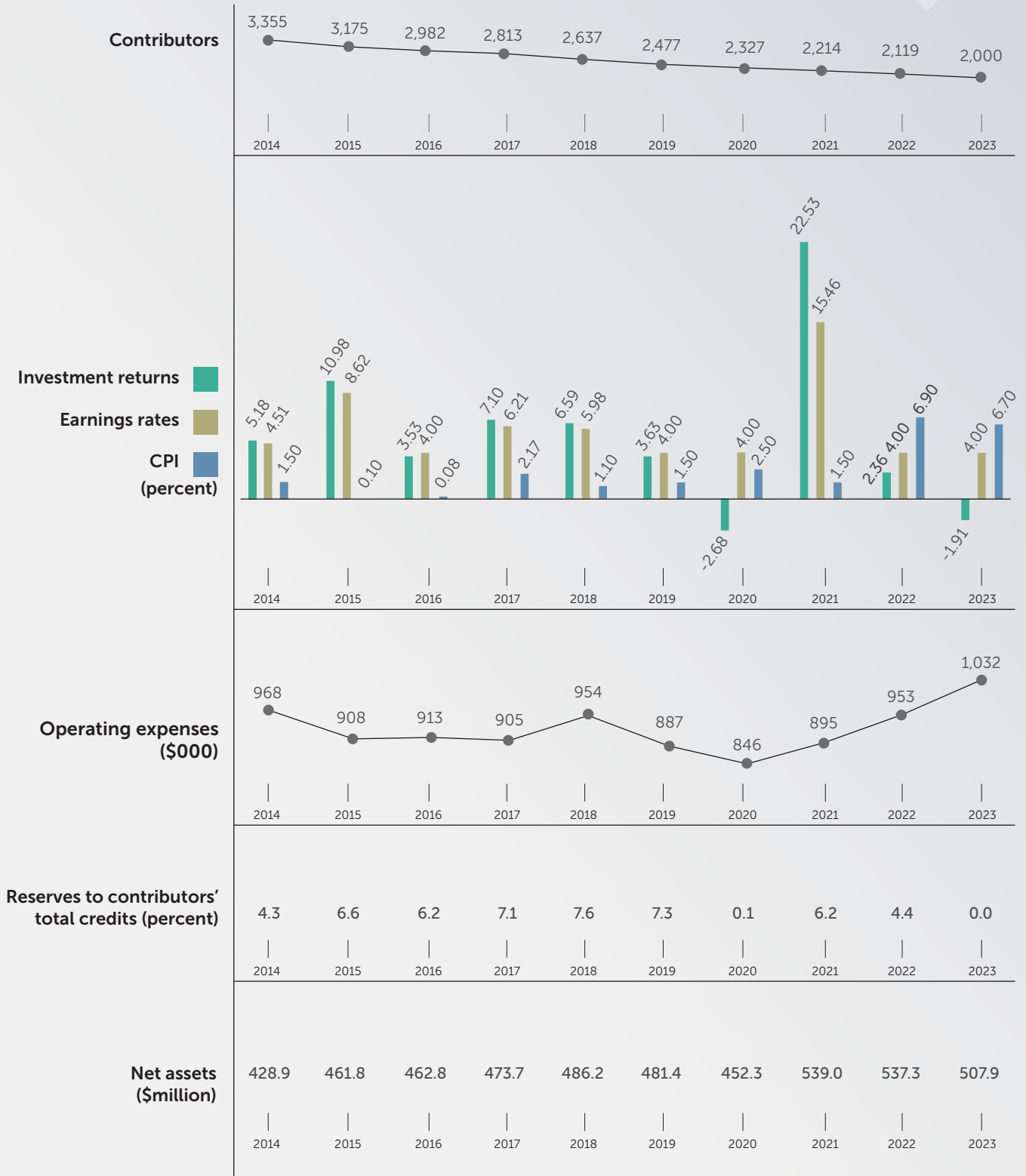
Bank of New Zealand Limited

**Asset Allocation Strategy from 1 February 2022
(and current as at 31 March 2023)**



Lump Sum National Scheme

10 year comparison



Lump Sum National Scheme (the Scheme)
Statement of Changes in Net Assets
for the year ended 31 March 2023

| | Note | 2023 (\$000) | 2022 (\$000) |
|---|------|-------------------------------|-----------------|
| Investment income | | | |
| (Loss)/income from unit funds | 4 | (9,344) | 13,250 |
| Interest received | | 38 | 14 |
| Total investment (loss)/income | | (9,306) | 13,264 |
| Operating expenses | | | |
| Actuarial fees | | 10 | 6 |
| Audit fees | | 22 | 20 |
| Bank fees | | 3 | 2 |
| Board member expenses | 5 | 35 | 33 |
| Management expenses | 5 | 962 | 892 |
| | | 1,032 | 953 |
| Net (loss)/income before tax and membership activities | | (10,338) | 12,311 |
| Income tax credit | 6 | 278 | 263 |
| Net (loss)/income after tax and before membership activities | | (10,060) | 12,574 |
| Scheme receipts | | | |
| Contributor contributions non locked-in section | 1 | 5,263 | 7,034 |
| Employer contributions non locked-in section | | 1,999 | 2,380 |
| Contributor contributions locked-in section | | 417 | 464 |
| Employer contributions locked-in section | | 169 | 194 |
| Member tax credits | | 15 | 16 |
| Total scheme receipts | | 7,863 | 10,088 |
| Scheme payments | | | |
| Benefits paid | | 29,460 | 20,860 |
| Transfers paid to other schemes | | 2,914 | 3,043 |
| Transfers to National Provident Pension Scheme | | 1,662 | 457 |
| Withdrawals | | 294 | 5 |
| Total scheme payments | | 34,330 | 24,365 |
| Net membership activities | | (26,467) | (14,277) |
| Other receipts | | | |
| Section 72 Claim | 9 | 7,197 | - |
| Total Other receipts | | 7,197 | - |
| (Decrease) in liability for accrued benefits | 10 | (29,330) | (1,703) |

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

Lump Sum National Scheme (the Scheme)
Statement of Net Assets
as at 31 March 2023

| | Note | 2023 (\$'000) | 2022 (\$'000) |
|---|------|--------------------------------|------------------|
| Investment assets at fair value through profit or loss | 3 | | |
| Units held in: | | | |
| Alternatives unit fund | | - | 2,038 |
| Fixed Interest unit fund | | 245,722 | 267,897 |
| New Zealand Equity unit fund | | 48,719 | 52,864 |
| Overseas Equity unit fund | | 202,541 | 210,551 |
| | | 496,982 | 533,350 |
| Financial assets at amortised cost | | | |
| Cash | | 3,477 | 4,392 |
| Contributions receivable - employers | | 87 | 168 |
| Deferred Tax Asset | | 329 | - |
| Other receivable | 8 | 35 | 22 |
| Receivable from the Global Asset Trust | 7 | - | 263 |
| Section 72 Claim | 9 | 7,197 | - |
| | | 11,125 | 4,845 |
| Total assets | | 508,107 | 538,195 |
| Current liabilities at amortised cost | | | |
| Account payable | | 64 | 873 |
| Payable to the Global Asset Trust | | 51 | - |
| Total liabilities | | 115 | 873 |
| Net assets available to pay benefits | | 507,992 | 537,322 |
| Represented by: | | | |
| Liability for accrued benefits | | | |
| Allocated to contributors' total credits | | | |
| Contributor contributions | | 308,680 | 311,939 |
| Employer contributions | | 180,654 | 183,499 |
| Locked-in Section | | | |
| Contributor contributions | | 13,168 | 13,673 |
| Employer contributions | | 5,490 | 5,366 |
| Unallocated reserves | 12 | - | 22,845 |
| | | 507,992 | 537,322 |

Authorised for issue on 6 July 2023

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



Edward Schuck
Board Chair



Louise Edwards
Chair
Audit and Risk Review Committee

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

Lump Sum National Scheme (the Scheme)
Statement of Cash Flows
for the year ended 31 March 2023

| | Note | 2023 (\$000) | 2022 (\$000) |
|---|------|-------------------------------|-----------------|
| Cash flows from operating activities¹ | | | |
| Cash was provided from: | | | |
| Contributor contributions | | 5,696 | 7,265 |
| Employer contributions | | 2,232 | 2,744 |
| Interest received | | 38 | 14 |
| Member tax credits | | 17 | 22 |
| Section 72 claim | | - | 2 |
| | | 7,983 | 10,047 |
| Cash was applied to: | | | |
| Benefits paid | | 29,697 | 20,624 |
| Operating expenses | | 772 | 463 |
| Transfers paid to other schemes | | 3,496 | 2,461 |
| Transfers to National Provident Pension Scheme | | 1,663 | 457 |
| Withdrawals | | 294 | 5 |
| | | 35,922 | 24,010 |
| Net cash flows used in operating activities | 10 | (27,939) | (13,963) |
| Cash flows from investing activities² | | | |
| Cash was provided from sale of units in: | | | |
| Alternatives unit fund | | 2,120 | 26,720 |
| Fixed Interest unit fund | | 12,931 | 4,860 |
| New Zealand Equity unit fund | | 2,932 | 1,689 |
| Overseas Equity unit fund | | 12,864 | 40,783 |
| | | 30,847 | 74,052 |
| Cash was applied to purchase units in: | | | |
| Alternatives unit fund | | - | 23 |
| Fixed Interest unit fund | | 1,444 | 38,130 |
| New Zealand Equity unit fund | | 332 | 18,028 |
| Overseas Equity unit fund | | 2,047 | 5,660 |
| | | 3,823 | 61,841 |
| Net cash flows from investing activities | | 27,024 | 12,211 |
| Net (decrease) in cash held | | (915) | (1,752) |
| Add opening cash brought forward | | 4,392 | 6,144 |
| Closing cash carried forward³ | | 3,477 | 4,392 |

- 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.

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

**Lump Sum National Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2023**

1 DESCRIPTION OF THE SCHEME AND FUNDING ARRANGEMENTS

The Scheme is a defined contribution 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).

With respect to funding arrangements the Scheme comprises two sections:

- Non Locked-in section (existing scheme)
- Locked-in section (complying superannuation fund)

1.1 NON LOCKED-IN SECTION

Under the terms of the Scheme Trust Deed, a contributor makes contributions to the non Locked-in section of the Scheme at a rate agreed between the contributor and the employer, provided the rate is not less than 1% of the contributor's basic remuneration, or \$10 per week, whichever is the lesser. An employer's contributions are made to the Scheme, in respect of a contributor, at a rate agreed by the employer with that contributor.

1.2 LOCKED-IN SECTION

For the Locked-in section of the Scheme, a contributor had to contribute at least 4% of base salary (before tax and excluding bonuses and allowances) until 1 April 2009, and at least 2% of base salary from 1 April 2009. From 1 April 2013, the minimum employee contribution rate increased to 3%. Until 1 April 2009, an employer had to also contribute at least 1% of base salary, increasing to 2% from 1 April 2009. Employer Superannuation Contribution Tax (ESCT) did not apply. From 1 April 2012, ESCT applied to employer contributions and from 1 April 2013 employers are required to contribute 3% of base salaries (including ESCT). Each year contributors are credited with an earnings rate, which is not less than 4%.

2 RELATED PARTIES

Under the terms of the National Provident Fund Restructuring Act 1990 (the Act), the Board of Trustees of the National Provident Fund (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 (refer note 3).

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

**Lump Sum National Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2023**

2 RELATED PARTIES (CONTINUED)

If a contributor elects to receive a pension, his or her membership, the liability to pay his or her pension (including any pension or other benefit contingently payable and any minimum payment) and assets to meet that liability are transferred to the National Provident Pension 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 equities, fixed interest and debt instruments.

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 allocations as at 31 March 2023 and at 31 March 2022 are shown below.

| | 2023 | 2022 |
|------------------------------|-------------|-------------|
| | SAA | SAA |
| | (%) | (%) |
| Fixed Interest unit fund | 50.0 | 50.0 |
| New Zealand Equity unit fund | 10.0 | 10.0 |
| Overseas Equity unit fund | 40.0 | 40.0 |

4 INCOME FROM UNIT FUNDS

Income from unit funds is 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. The income per unit fund is as follows:

| | 2023 | 2022 |
|--------------------------------------|-----------------------|----------------------|
| | (\$000) | (\$000) |
| Alternatives unit fund | - | 355 |
| Fixed Interest unit fund | (10,607) | (5,809) |
| New Zealand Equity unit fund | (1,544) | (582) |
| Overseas Equity unit fund | 2,807 | 19,286 |
| (Loss)/income from unit funds | <u>(9,344)</u> | <u>13,250</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.

**Lump Sum National Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2023**

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:

| | 2023 (\$000) | 2022 (\$000) |
|---|-------------------------------|-----------------|
| Scheme specific income | 38 | 14 |
| Deductible expenses | (1,028) | (954) |
| Expense election to the GAT | - | 940 |
| Taxable income | (990) | - |
| Net (loss)/income before tax and membership activities | (10,338) | 12,311 |
| Tax at 28% | (2,894) | 3,447 |
| Non-deductible expenditure/(non-assessable income) | 2,616 | (3,710) |
| Income tax credit | (278) | (263) |
| Represented by: | | |
| Income tax credit on current year income/(loss) | (278) | (263) |
| Prior year adjustment | - | - |
| Income tax credit | (278) | (263) |
| Movement in deferred taxation | | |
| Opening balance | - | - |
| Prior period adjustment | 51 | - |
| Current year movement | 278 | - |
| Deferred tax asset | 329 | - |

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. The GAT is subject to tax at the rate of 28%.

7 RECEIVABLE FROM THE GAT

The 2022 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 realised the receivable by investing in unit funds of the GAT, with the remainder being settled by cash.

**Lump Sum National Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2023**

8 OTHER RECEIVABLES

Other receivables consist of:

| | 2023 (\$000) | 2022 (\$000) |
|--|-------------------------------|-----------------|
| Management fee refund | 23 | 9 |
| Member tax credits accrued at 31 March | 12 | 13 |
| Total other receivables | 35 | 22 |

The member tax credits, accrued at 31 March 2023, will be claimed from the Inland Revenue Department as part of a total member tax credit claim for the year ending 30 June 2023.

9 SECTION 72 CLAIM

Section 72 of the Act provides that where any deficiency in the accounts of the Scheme arises from the application of the 4% minimum earnings rate, then the Minister shall, at the request of the Board, pay to the Board, as Trustee of the Scheme, such an amount as may be required to meet the deficiency.

A \$7.197 million claim is due under Section 72 for the year ending 31 March 2023 (2022: nil).

10 RECONCILIATION OF DECREASE IN LIABILITY FOR ACCRUED BENEFITS TO NET CASH FLOWS USED IN OPERATING ACTIVITIES

| | 2023 (\$000) | 2022 (\$000) |
|---|-------------------------------|-----------------|
| (Decrease) in liability for accrued benefits | (29,330) | (1,703) |
| Movement in working capital | | |
| Change in accounts payable | (758) | 820 |
| Change in other receivables | (7,210) | 27 |
| Change in contributions receivable | 81 | (64) |
| | (7,887) | 783 |
| Change in non-cash items | | |
| Movement in receivable from the GAT | 263 | 207 |
| Movement in deferred tax | (329) | - |
| | (66) | 207 |
| Items classified as investing activities | | |
| Loss/(income) from unit funds | 9,344 | (13,250) |
| | 9,344 | (13,250) |
| Net cash flows used in operating activities | (27,939) | (13,963) |

**Lump Sum National Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2023**

11 GUARANTEED BENEFITS

Under Section 60 of the Act, the benefits payable by the Scheme are guaranteed by the Crown. The earnings rate each year is determined with reference to the investment return and is not less than 4.0% per annum as per the Scheme Trust Deed.

12 UNALLOCATED RESERVES

The unallocated reserves are derived from the net income/(loss) after tax and before membership activities; earnings not allocated to contributors' total credits, and balances of any total credits not transferred, or otherwise disbursed, in accordance with the provisions of the Scheme Trust Deed.

Movements in reserves during the year were as follows:

| | 2023 (\$000) | 2022 (\$000) |
|--|-------------------------------|-----------------|
| Reserves at beginning of year | 22,845 | 31,568 |
| Applied to transfers | 20 | (1,154) |
| Extinguished liabilities | 6 | (9) |
| Net income after tax for the year | (10,060) | 12,574 |
| Applied to exits | (657) | (535) |
| Applied to contributors' total credits | (19,351) | (19,599) |
| Section 72 Claim | 7,197 | - |
| Reserves at end of year | - | 22,845 |

Unallocated reserves may be distributed at the discretion of the Board, in accordance with the Scheme Trust Deed, principally for:

- Meeting all or part of contributors' or employers' contributions on an equitable basis;
- Increasing total credits of all contributors on an equitable basis;
- Providing benefits, other than retirement benefits, to all contributors on an equitable basis;
- Providing hardship benefits to contributors or their dependents; and
- Paying Scheme expenses.

13 VESTED BENEFITS

The value of vested benefits is the value of the benefits contributors would have been entitled to if they left the Scheme.

As at 31 March 2023, the market value of the net assets of the Scheme was equal to the amount that would have been payable if all members transferred out of the Scheme on that date and equal to the amount that would have been payable if all contributors retired on that date.

| | 2023 (\$000) | 2022 (\$000) |
|---|-------------------------------|-----------------|
| Value of vested benefits | 507,992 | 527,339 |
| Value of net assets, after section 72 for members active at 31 March 2023 | 507,992 | 537,322 |

This table should be read in conjunction with note 11.

**Lump Sum National Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2023**

14 ACTUARIAL VALUATION – 31 MARCH 2021

The Scheme is a defined contribution scheme. As the Scheme has no pensioners, an actuarial valuation is not required under the Financial Markets Conduct Act (2013).

The National Provident Fund Restructuring Act (1990) does however require an actuarial examination to be undertaken every three years. The last examination was undertaken, as at 31 March 2021, and covered the three years 31 March 2018 to 31 March 2021.

The Actuary reported the funding level of the Scheme decreased from 107.6% to 106.2% over the three years to 31 March 2021. The valuation results were:

| Valuation date | 2021 (\$000) | 2018 (\$000) |
|-----------------------|-------------------------|-----------------|
| Present value of - | | |
| Total credits | 507,457 | 451,669 |
| Reserves | 31,568 | 34,516 |
| Net assets | 539,025 | 486,185 |
| Funding level | 106.2% | 107.6% |

15 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 quoted equity, 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.

More information on the disclosures under NZ IFRS 13 and the risks mentioned above is provided in 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).

The Board manages the other risks by determining a diversified SAA appropriate for the Scheme's liabilities. 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 4.6% per annum. The volatility is expected to be +/- 7.8%. This is based on the Scheme's SAA and the long term rate of return for each asset class (after investment management, custody fees and tax), and after deducting a provision for the Scheme's operating expenses (after tax).

**Lump Sum National Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2023**

16 SUBSEQUENT EVENTS

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

17 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

17.1 BASIS OF PREPARATION

The financial statements have been prepared under the requirements of clause 38 of the Scheme Trust Deed and in accordance with the FMCA. For a description of the Scheme and its funding arrangements see note 1.

17.2 STATEMENT OF COMPLIANCE

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

17.3 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.

17.4 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).

17.5 FINANCIAL INSTRUMENTS

Financial instruments include both financial assets and financial liabilities.

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

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

17.6 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.

**Lump Sum National Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2023**

17 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

17.6 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

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

There are no material assumptions or major sources of estimation uncertainty that have a significant 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.

17.7 STANDARDS ISSUED BUT NOT EFFECTIVE

Certain new accounting standards and interpretations have been issued that are not mandatory for 31 March 2023 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. All standards will be adopted in the period in which they become mandatory.

17.8 RECOGNITION

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

17.9 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 and 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.

17.10 IMPAIRMENT

Financial assets which are recorded at amortised cost are reviewed at each financial statement date to determine whether there is objective evidence of impairment.

17.11 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.

**Lump Sum National Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2023**

17 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

17.12 CASH AND CASH EQUIVALENTS

Cash comprises current deposits with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, where there is an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments.

17.13 CONTRIBUTIONS

Contributions are recognised in the Statement of Changes in Net Assets when they become receivable.

17.14 BENEFITS AND PENSIONS

Benefits are recognised in the Statement of Changes in Net Assets when a request for payment is made and all relevant criteria for payment has been met.

17.15 INVESTMENT INCOME RECOGNITION

Interest income is recognised using the effective interest rate of the instrument. Changes in the fair value of 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. Dividend income is recognised in the Statement of Changes in Net Assets on the ex-dividend date.

17.16 EXPENSES

All expenses are recognised in the Statement of Changes in Net Assets on an accrual basis.

17.17 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's deductible operating expenses are offset against the Scheme's interest received to result in nil assessable income.

Any surplus deductible operating expenses are transferred to the GAT under the Tax Act (refer notes 6 and 7).

17.18 ACCRUED BENEFITS

The liability for accrued benefits is the Scheme's present obligation to pay benefits to contributors and beneficiaries. This has been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the Scheme's liabilities, as at balance date.

18 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

There have been no material changes to accounting policies during the year.

**Lump Sum National Scheme (the Scheme)
Trustee's Report
for the year ended 31 March 2023**

19 OTHER INFORMATION

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

19.1 SCHEME MEMBERSHIP

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

| | Non Locked-in section | Locked-in section | Total |
|--|--------------------------------------|------------------------------|--------------|
| Opening membership as at 1 April 2022 | 1,989 | 130 | 2,119 |
| Retirements | (93) | (6) | (99) |
| Withdrawals | (1) | - | (1) |
| Transfers | (10) | - | (10) |
| Deaths and disablements | (12) | - | (12) |
| Joins/rejoins | 2 | 2 | 4 |
| Reinstated extinguished liabilities* | (1) | - | (1) |
| Closing as at 31 March 2023 | 1,874 | 126 | 2,000 |

* 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.

As at 31 March 2023 there were 126 members in the Locked-in section with assets amounting to \$18,658,000 (2022: \$19,039,000). There were 6 retirements during the year to 31 March 2023, totalling \$1,709,039.53.

19.2 CONTRIBUTIONS RECEIVED AND BENEFITS PAID

On the basis of evidence available, the Board believes that all contributions required to be made to the Scheme, in accordance with the terms of the Scheme Trust Deed, have been made.

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.

19.3 VESTED BENEFITS

The Board, based on the advice of the Actuary, certifies as at 31 March 2023, the market value of the net assets of the Scheme were equal to the total value of the vested benefits. The amounts are shown in Note 13 of the financial statements.

19.4 INVESTMENT WITH PARTIES TO THE SCHEME

The Board confirms that, to the best of its knowledge, not more than 10% of the net market value of the Scheme assets were invested with the employer (or associated entities), either directly or indirectly, who are parties to the Scheme.

**Lump Sum National Scheme (the Scheme)
Trustee's Report
for the year ended 31 March 2023**

19 OTHER INFORMATION (CONTINUED)

19.5 EARNINGS RATES

The Scheme's earnings rate (crediting rate) declared by the Board for the year ended 31 March 2023 was 4.00%.

19.6 ADMINISTRATION FEES

New scheme administration fees were negotiated with effect from 1 April 2022. 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 the 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.

19.7 TRUST DEED

The Scheme Trust Deed has not been amended since 28 June 2022, being the date of the Scheme's last annual report.

19.8 DIRECTORY

Trustee

Board of Trustees of the National Provident Fund

Members of the Board are:
Edward Schuck (Board Chair)
Graham Ansell
Tracey Berry (Appointed 1 July 2022)
Louise Edwards
Lloyd Kavanagh (Appointed 1 July 2022)
Daniel Mussett (Retired 30 June 2022)
Sarah Park (Deputy Chair)
Stephen Ward (Retired 30 June 2022)

Administration manager Datacom Connect Limited

Investment managers

Fixed Interest Managers

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

New Zealand Equity Managers

Devon Funds Management Limited
Harbour Asset Management Limited

Overseas Equity Managers

Arrowstreet Capital, Limited Partnership
Lazard Asset Management, LLC
Russell Investment Management Limited (Terminated 14 June 2022)
T. Rowe Price Australia Limited

Foreign Exchange Hedging Manager

Bank of New Zealand Limited

**Lump Sum National Scheme (the Scheme)
Trustee's Report
for the year ended 31 March 2023**

19 OTHER INFORMATION (CONTINUED)

19.8 DIRECTORY (CONTINUED)

| | |
|------------------|---|
| Actuary | Christine Ormrod, PricewaterhouseCoopers Consulting (New Zealand) LP |
| Auditor | Silvio Bruinsma, Deloitte Limited (on behalf of the Auditor-General) |
| Solicitor | DLA Piper New Zealand |
| Bank | Bank of New Zealand |
| Custodian | JP Morgan Chase Bank |

19.9 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

6 July 2023

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LUMP SUM NATIONAL SCHEME

The Auditor-General is the auditor of Lump Sum National 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 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 2023, 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 2023 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 International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Our audit was completed on 6 July 2023. 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

We have determined that there are no key audit matters to communicate in our report.

Responsibilities of the Board of Trustees for the financial statements

The Board of Trustees are 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 is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Trustees intend to wind-up the Scheme or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees' responsibilities arise from the Financial Markets Conduct Act 2013 and clause 38 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 13 to 15, 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.



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

Lump Sum National Scheme

Directory as at 6 July 2023

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

Daniel Mussett (appointed 2016)
– retired 30 June 2022

Stephen Ward – Deputy Chair (appointed 2016 and Deputy Chair from 1 February 2020)
– retired 30 June 2022

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

MANAGEMENT

Tim Mitchell

Chief Executive and Acting General Manager – Investments

Philippa Drury

General Manager – Schemes

Fiona Morgan

Chief Financial Officer

Hadyn Hunt

Chief Risk Officer

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

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