



National Provident Pension 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 2019. 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 National Provident Pension 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 operating expenses) and the comparative performance of the benchmark indices are shown in the table below.

	Return	Index
Fixed interest	1.96%	4.51%
Alternatives*	(8.52)%	0.96%
New Zealand shares	16.40%	19.37%
Overseas shares	7.31%	7.58%

* The Scheme's investment in alternatives was previously included with overseas shares. A new unit fund of the Global Asset Trust, the Alternatives Unit Fund, was established in 2018. Since 1 October 2018, the Scheme's investment in alternatives has been through the Alternatives Unit Fund. The above return for alternatives is for the period 1 October 2018 to 31 March 2019.

The investment return (after tax and operating expenses) earned by the Scheme for the year ended 31 March 2019 was 3.63%.

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.

FUNDING POSITION

A summary of the funding level of the Scheme, as at 31 March, was:

	2019 (\$000)	2018 (\$000)
Net assets	368,131	359,186
Actuarial liabilities	(352,791)	(347,827)
Funding level*	104.3%	103.3%

* The funding level has been calculated on the funding basis using a discount rate of 2.5% net of tax and expenses. Calculating the funding level on a minimum risk basis (and a discount rate of 1.36%) would give a funding level of 94.6%.

ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

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 2019.

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 Provident Pension Scheme

PENSIONS REMAIN THE SAME

The Board has determined, based on the advice of the Actuary, that pensions will remain the same. The Actuary has advised that, although the funding position of the Scheme is positive, it is not at a level that can support an increase in pension payments.

WHO INVESTS YOUR MONEY

Fixed interest

Ashmore Investment Management Limited (emerging markets)
Brandywine Global Investment Management, LLC
Pacific Investment Management Company LLC
Wellington Management Australia Pty, Ltd
(contract ended June 2018)

Alternatives

AQR Capital Management, LLC (Style Premia Fund)

New Zealand shares

Devon Funds Management Limited
Harbour Asset Management Limited

Overseas shares

Arrowstreet Capital, Limited Partnership
Lazard Asset Management, LLC
Marathon Asset Management, LLP

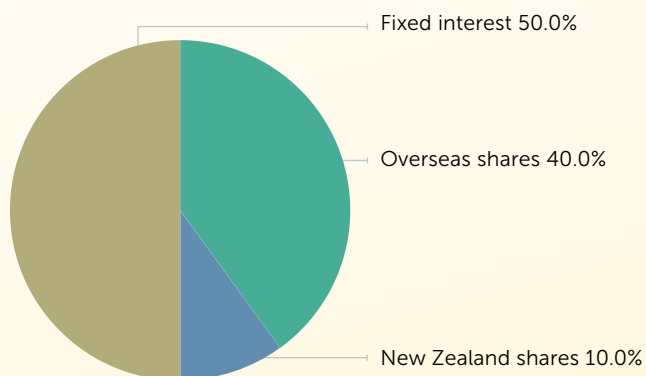
Foreign exchange hedging

ANZ Bank New Zealand Limited
Bank of New Zealand Limited

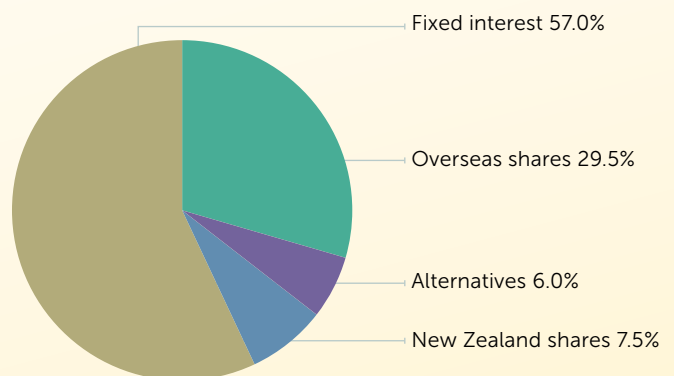
HOW YOUR MONEY IS INVESTED

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

Effective 1 May 2018



Effective 1 October 2018



The Board's Statement of Investment Policies, Standards and Procedures (**SIPSP**) was changed during the year to add a new unit fund, the Alternatives Unit Fund. There were no other significant changes to the SIPSP during the year. See our website, www.npf.co.nz, for more information about your Scheme, including the Board's SIPSP and the Scheme trust deed.

National Provident Pension Scheme

SUMMARY STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2019

This is a summary of the Scheme's income and expenses, and membership contributions and payments.

	2019 (\$000)	2018 (\$000)
Investment income	13,558	25,082
Less operating expenses	(779)	(826)
Net income before tax and membership activities	12,779	24,256
Income tax credit	193	209
Net income after tax and before membership activities	12,972	24,465
Transfers in from other NPF schemes	28,646	27,068
Less pension payments	(32,673)	(32,328)
Net membership activities	(4,027)	(5,260)
Increase in net assets for the year	8,945	19,205
Net assets available to pay benefits at beginning of year	359,186	339,981
Net assets available to pay benefits at end of year	368,131	359,186

SUMMARY STATEMENT OF NET ASSETS AS AT 31 MARCH 2019

This is a summary of the Scheme's assets and liabilities, as at 31 March 2019.

Assets include the Scheme's investments in fixed interest, alternatives, New Zealand shares and overseas shares 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.

	2019 (\$000)	2018 (\$000)
Investment assets		
Fixed Interest Unit Fund	206,549	180,891
Alternatives Unit Fund	21,489	-
New Zealand Equity Unit Fund	25,040	35,281
Overseas Equity Unit Fund	111,786	140,306
Total investment assets	364,864	356,478
Other assets	3,342	2,792
Total assets	368,206	359,270
Less liabilities	(75)	(84)
Net assets available to pay benefits	368,131	359,186

SUMMARY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

This is a summary of the cash flows through the Scheme during the year.

Cash was received from:

- operating activities (being contributions less benefit and transfer payments and operating expenses); and
- investing activities.

The difference between the two cash flows is recorded as an increase or decrease in cash held.

	2019 (\$000)	2018 (\$000)
Opening cash brought forward	2,531	2,382
Net cash flows from operating activities	(4,573)	(5,759)
Net cash flows from investing activities	5,083	5,908
Net increase in cash held	510	149
Closing cash carried forward	3,041	2,531

National Provident Pension 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 25 June 2019; 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 2019

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 2018	6,091
Pensioner change of beneficiary	63
Deaths	(455)
Transfers in from other NPF schemes	96
Closing membership as at 31 March 2019	5,795

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 2019, the market value of the net assets of the Scheme exceeded 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 2018, 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 amended on 28 March 2019 to allow pensions under the Aircrew Superannuation Scheme to be transferred to and paid from the Scheme. A copy of the trust deed is available on www.npf.co.nz.

INDEPENDENT AUDITOR'S REPORT

To the members of National Provident Pension Scheme Summary financial statements for the year ended 31 March 2019 Opinion

The summary financial statements of the National Provident Pension Scheme (the Scheme), that comprise the summary statement of net assets as at 31 March 2019, 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 2019 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 2019, 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 2019 in our auditor's report dated 25 June 2019.

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.

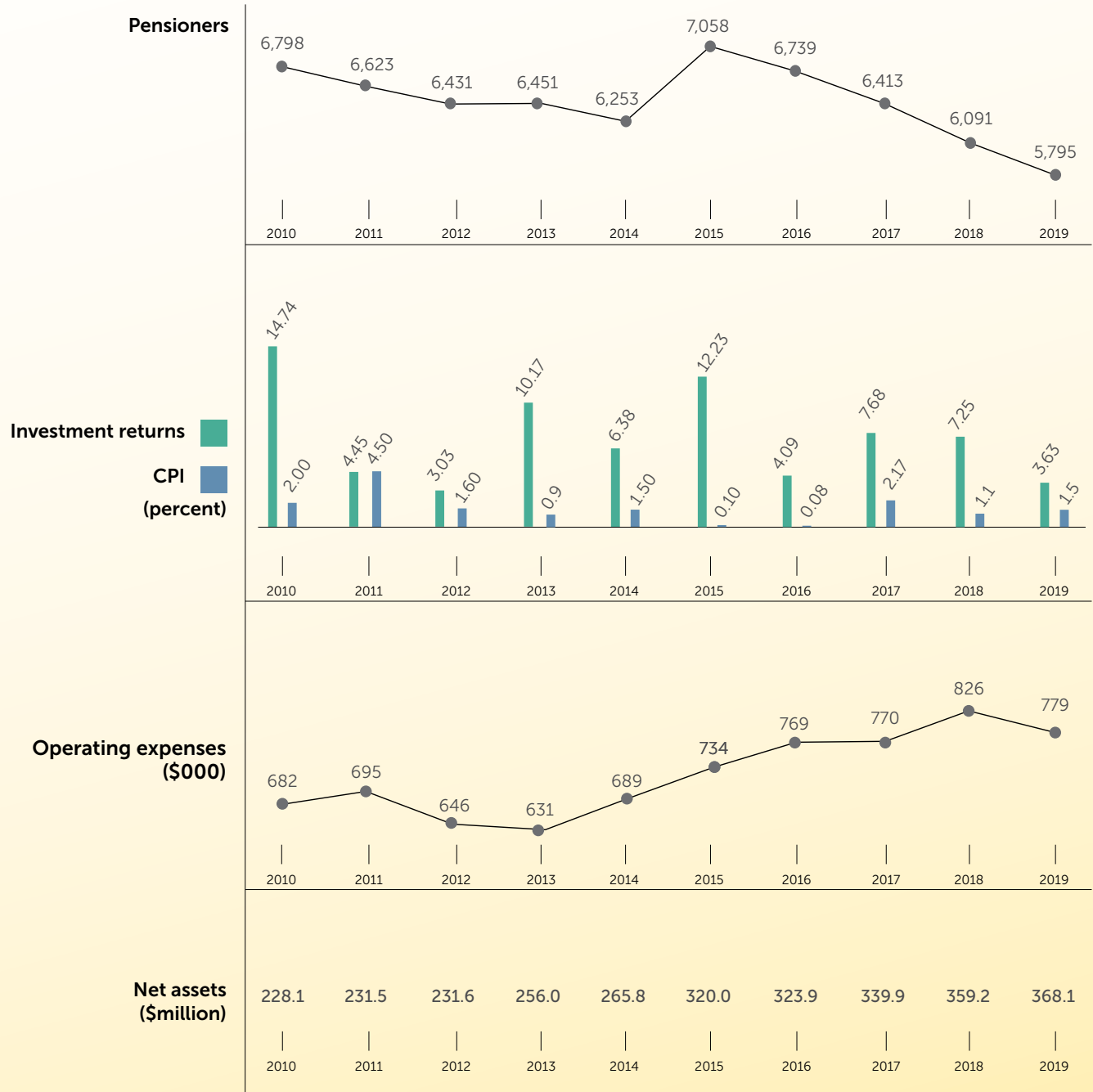


Michael Wilkes
for Deloitte Limited
On behalf of the Auditor-General
Christchurch, New Zealand

25 June 2019

National Provident Pension Scheme

10 YEAR COMPARISON





National Provident Pension Scheme

Directory as at 25 June 2019

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 were no changes to the Board members during the year. Further information on the Board members is provided on our website – www.npf.co.nz.

MANAGEMENT

Simon Tyler

Chief Executive

Fiona Morgan

Chief Financial Officer

Philippa Drury

General Manager – Schemes

Janet Shirley

Manager – Schemes

Paul Bevin

General Manager – Investments

Nicky Rumsey

Manager – Investments

Peter McCaffrey

Manager – Equities and Alternatives

There were no changes to Management during the year.

DATAKOM

ADMINISTRATION

Datacom Connect Limited is the administrator of the NPF Schemes.

CONTACT DETAILS

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

Please quote your identity number when contacting Datacom.

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

Phone: (04) 381 0600

Post to:

The Manager

National Provident Fund Administration

Datacom Connect Limited

P O Box 1036 WELLINGTON 6140

Email: npfenquiries@datacom.co.nz

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

You may contact the Board by writing to:

The Chief Executive

Board of Trustees of the National Provident Fund

Level 12, The Todd Building

95 Customhouse Quay

WELLINGTON 6011

Auditor: 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

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

