

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 2022. 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 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 expenses) and the comparative performance of the benchmark indices are shown in the table below.

Asset Class	Return	Index
Fixed interest (global)	(2.79%)	(3.70%)
Fixed interest (New Zealand)*	*	*
Alternatives	2.50%	0.58%
New Zealand shares	(0.05%)	(3.04%)
Overseas shares	9.00%	8.21%

*This is an investment in the Fixed Interest No. 2 Unit Fund, which has been part of the Scheme's asset allocation since 1 December 2021.

The investment return (after tax and expenses) earned by the Scheme for the year ended 31 March 2022 was 0.22% (2021: 19.06%). In dollar terms, this represents an investment gain from unit funds of \$1.54 million (2021: \$67.38 million).

Annual Report for the year ended 31 March 2022

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 2022.

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.



National Provident Pension Scheme

INVESTMENT PERFORMANCE CONTINUED

Around the world the ongoing impacts of the Covid-19 outbreak and the war in Ukraine have 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. The Board continues to monitor the impact of the movements in the market 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.

FUNDING POSITION

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

	2022 (\$000)	2021 (\$000)
Net assets	397,412	409,734
Actuarial liabilities	(362,266)	(345,088)
Funding level*	109.7%	118.7%

* The funding level at 31 March 2022, in the table above, has been calculated on the funding basis using discount rates, which are the zero Sovereign bond discount rates, adjusted for tax and investment expenses. As at 31 March 2021, a notional 2.5% pa net of tax and all expense discount rate was used.

PENSIONS INCREASE

During the year the Board updated the financial management framework for the Scheme. As part of that process, the Board considered the investment strategies that should be pursued depending on the funding level of the Scheme along with the Minimum Funding Level above which consideration will be given by the Board to granting pension increases. In setting the Minimum Funding Level at 108%, the Board acknowledged there will be years when the funding level of the Scheme is below the target and there is insufficient surplus to provide for a pension increase.

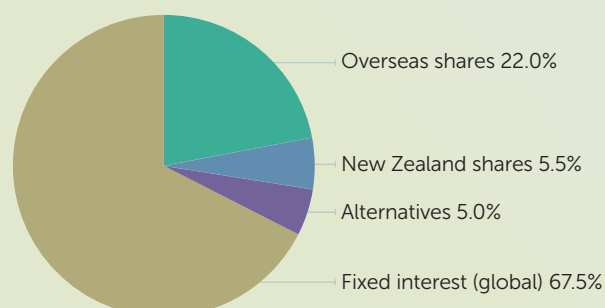
On 28 June 2022, as part of its consideration of the annual financial statements for the Scheme, the Board resolved pensions in payment as at 31 March 2022, and still in payment at 4 August 2022, will be increased by 2% from the 4 August 2022 pension payment date.

HOW YOUR MONEY IS INVESTED

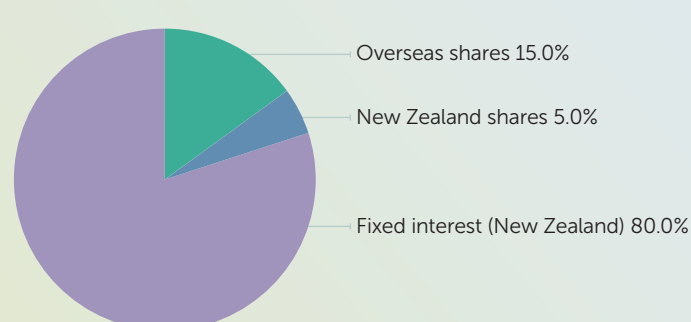
The Scheme's asset allocation strategy is set by the Board and reviewed regularly. The Board reviewed the asset allocation strategy for the Scheme in November 2021 and resolved to change the asset allocation effective from 1 December 2021 to overseas shares 15%, New Zealand shares 5% and fixed interest 80%. The allocation of 80% to fixed interest was transitioned to duration matched New Zealand fixed interest by way of investment in the Fixed Interest No. 2 Unit Fund. The transition was completed on 1 May 2022. 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 charts show the Scheme's asset allocation strategy from 1 May 2021, together with the current asset allocation strategy effective from 1 December 2021. There was no DAA tilt in place as at 31 March 2022.

**Asset Allocation Strategy
from 1 May 2021**

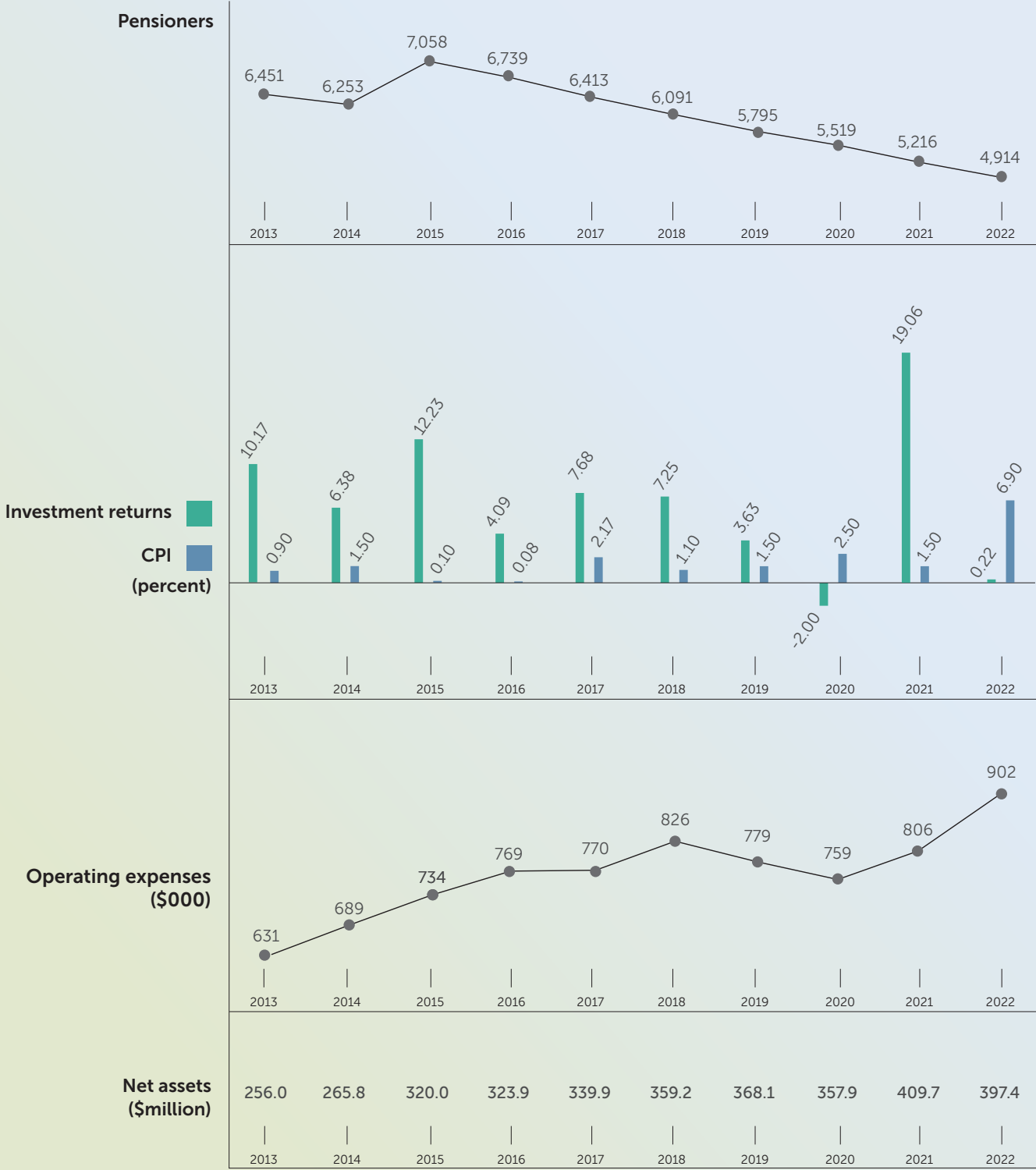


**Asset Allocation Strategy
from 1 December 2021**



National Provident Pension Scheme

10 YEAR COMPARISON



National Provident Pension Scheme (the Scheme)
Statement of Changes in Net Assets
for the year ended 31 March 2022

	Note	2022 (\$'000)	2021 (\$'000)
Investment income			
Income from unit funds	4	1,542	67,377
Interest received		12	5
Total investment income		1,554	67,382
Operating expenses			
Actuarial fees		84	34
Audit fees		20	16
Bank fees		4	4
Board member expenses	5	33	26
Consultancy fees		-	1
Management expenses	5	752	722
Stationery and printing		9	3
Total operating expenses		902	806
Net income before tax and membership activities		652	66,576
Income tax credit	6	249	224
Net income after tax and before membership activities		901	66,800
Scheme receipts	1		
Transfers from Contributor Schemes		20,147	18,079
Total scheme receipts		20,147	18,079
Scheme payments			
Pensions paid		33,370	33,052
Total scheme payments		33,370	33,052
Net membership activities		(13,223)	(14,973)
(Decrease)/increase in net assets for the year	9	(12,322)	51,827
Net assets available to pay benefits at beginning of year		409,734	357,907
Net assets available to pay benefits at end of year		397,412	409,734

The notes to the financial statements on pages 4 to 13 form an integral part of these financial statements.

National Provident Pension Scheme (the Scheme)
Statement of Net Assets
as at 31 March 2022

	Note	2022 (\$'000)	2021 (\$'000)
Investment assets at fair value through profit or loss	3		
Alternatives unit fund		1,442	23,098
Fixed Interest No 2 unit fund		107,797	-
Fixed Interest unit fund		206,031	223,695
New Zealand Equity unit fund		17,937	20,903
Overseas Equity unit fund		60,643	139,103
		393,850	406,799
Financial assets at amortised cost			
Cash		3,394	2,556
Other receivables	8	25	37
Receivable from the Global Asset Trust	7	249	422
		3,668	3,015
Total assets		397,518	409,814
Current liabilities at amortised cost			
Account payable		106	80
Total liabilities		106	80
Net assets available to pay benefits		397,412	409,734

Authorised for issue on 28 June 2022

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



Edward Schuck
Board Chair



Stephen Ward
Chair
Audit and Risk Review Committee

The notes to the financial statements on pages 4 to 13 form an integral part of these financial statements.

National Provident Pension Scheme (the Scheme)
Statement of Cash Flows
for the year ended 31 March 2022

	Note	2022 (\$000)	2021 (\$000)
Cash flows from operating activities¹			
Transfers from Contributors Schemes		20,147	18,079
Interest received		12	5
		20,159	18,084
Cash was applied to:			
Operating expenses		445	742
Pensions paid		33,367	33,053
		33,812	33,795
Net cash flows used in operating activities	9	(13,653)	(15,711)
Cash flows from investing activities²			
Cash was provided from sale of units in:			
Alternative unit fund		21,865	769
Cash unit fund		-	9,734
Fixed Interest unit fund		111,128	18,258
New Zealand Equity unit fund		7,939	4,651
Overseas Equity unit fund		89,393	30,436
		230,325	63,848
Cash was applied to purchase units in:			
Alternatives unit fund		21	2,983
Cash unit fund		-	1
Fixed Interest No 2 unit fund		110,000	-
Fixed Interest unit fund		99,436	23,459
New Zealand Equity unit fund		5,388	1,957
Overseas Equity unit fund		989	20,853
		215,834	49,253
Net cash flows from investing activities		14,491	14,595
Net Increase/(decrease) in cash held		838	(1,116)
Add opening cash brought forward		2,556	3,672
Closing cash carried forward³		3,394	2,556

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

The notes to the financial statements on pages 4 to 13 form an integral part of these financial statements.

**National Provident Pension Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2022**

1 DESCRIPTION OF THE SCHEME AND FUNDING ARRANGEMENTS

The Scheme was established in accordance with section 17 of the National Provident Fund Restructuring Amendment Act 1997, for the purpose of paying pensions which arise from the membership of the National Provident Fund defined contribution schemes and such other NPF schemes as the Board of Trustees of the National Provident Fund (the Board) may determine from time to time.

The Scheme is deemed to be registered on the register of managed investment schemes under the Financial Markets Conduct Act 2013 (FMCA).

2 RELATED PARTIES

Under the terms of the National Provident Fund Restructuring Act 1990 (the Act), the Board is Trustee of the Scheme. Members of the Board are appointed by the Minister of Finance.

The Board and the Government Superannuation Fund Authority (the Authority) have formed a joint venture company, Annuitas Management Limited (Annuitas). Each organisation has entered into a management services agreement with Annuitas. The main function of Annuitas is to provide staff who act in management and secretarial roles on behalf of the Board and the Authority. 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 Stephen Ward 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 National Provident Fund Schemes. The GAT is divided into separate unit funds, representing various asset classes, which have issued units to the Board, as Trustee of the Scheme, according to the Strategic Asset Allocation Strategy (refer note 3).

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

3 STRATEGIC ASSET ALLOCATION (SAA) – INVESTMENT

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

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

National Provident Pension Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2022

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

The benchmark SAA as at 31 March 2022 and at 31 March 2021 are shown below. The tilted benchmark asset allocation as at 31 March 2021 is also shown. The tilted benchmark was applied in accordance with the Dynamic Asset Allocation (DAA) tilting programme as outlined in the Statement of Investment Policy, Standards and Procedures (SIPSP).

		Benchmark	
	2022 SAA (%)	2021 SAA (%)	2021 Tilted (%)
Alternatives unit fund	-	5.0	5.0
Fixed Interest No 2 unit fund	26.7	-	-
Fixed Interest unit fund	53.3	57.5	57.5
New Zealand Equity unit fund	5.0	7.5	5.5
Overseas Equity unit fund	15.0	30.0	32.0

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:

	2022 (\$000)	2021 (\$000)
Alternatives unit fund	188	(1,187)
Fixed Interest No 2 unit fund	(2,203)	-
Fixed Interest unit fund	(5,972)	12,444
New Zealand Equity unit fund	(414)	5,705
Overseas Equity unit fund	9,943	50,415
Income from unit funds*	1,542	67,377

* The income from unit funds is received tax paid.

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.

National Provident Pension Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2022

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:

	2022 (\$000)	2021 (\$000)
Scheme specific income	12	5
Deductible expenses	(902)	(806)
Expense election to the GAT	890	801
Taxable income	-	-
Net income before tax and membership activities	652	66,576
Tax at 28%	183	18,641
Non-assessable income	(432)	(18,865)
Income tax credit	(249)	(224)
Represented by:		
Income tax credit on current year income	(249)	(224)
Income tax credit	(249)	(224)
Movements in deferred taxation		
Opening balance	-	198
Current year movement	-	(198)
Deferred tax asset	-	-

The current year tax credit results from the benefit of the Scheme electing to transfer surplus deductible expenses to the GAT under section DV 2 of the Income Tax Act 2007 (the Tax Act). The GAT is subject to tax at the rate of 28%.

The income of \$1.542 million (2021: income \$67.377 million) from unit funds, shown on the Statement of Changes in Net Assets, is all received tax paid.

7 RECEIVABLE FROM THE GAT

This receivable represents the 2022 outstanding tax credits, (refer note 6), utilised by the GAT, resulting from the transfer of the Scheme's surplus deductible expenses to the GAT under the Tax Act. The Scheme will realise the receivable by investing in unit funds of the GAT, with the remainder being settled by cash (if applicable).

8 OTHER RECEIVABLES

Other receivables consist of:

	2022 (\$000)	2021 (\$000)
Management fee refund	16	25
Sundry receivables	9	12
Total other receivables	25	37

National Provident Pension Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2022

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

	2022 (\$000)	2021 (\$000)
(Decrease)/increase in net assets for the year	(12,322)	51,827
Movement in working capital		
Change in accounts payable	26	1
Change in other receivables	12	62
	38	63
Add non-cash items		
Movement in receivable from the GAT	173	(422)
Movement in deferred tax	-	198
	173	(224)
Items classified as investing activities		
(Income) from unit funds	(1,542)	(67,377)
	(1,542)	(67,377)
Net cash flows used in operating activities	(13,653)	(15,711)

10 GUARANTEED BENEFITS

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

11 ACTUARIAL EXAMINATION AND REVIEW, FUNDING LEVEL AND VESTED BENEFITS RATIO – 31 MARCH 2022

11.1 ACTUARIAL EXAMINATION AND REVIEW

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

In addition, an actuarial review of the Scheme is undertaken annually. The results of the most recent actuarial review of the Scheme, as at 31 March 2022, are set out below for the funding level and vested benefits ratio.

11.2 FUNDING LEVEL AND VESTED BENEFITS RATIO – 31 MARCH 2022

The funding level (funding ratio) of the Scheme is the ratio of the value of net assets available to pay benefits to the value of the total liabilities. For this Scheme, the value of the vested benefits is equal to the value of the liabilities. The funding level and vested benefits calculated by the Actuary, as at 31 March, are shown below.

National Provident Pension Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2022

11 ACTUARIAL EXAMINATION AND REVIEW, FUNDING LEVEL AND VESTED BENEFITS RATIO – 31 MARCH 2022 (CONTINUED)

11.2 FUNDING LEVEL AND VESTED BENEFITS RATIO – 31 MARCH 2022 (CONTINUED)

The results of the calculations, as at 31 March, are shown below.

Funding level and vested benefits – funding basis	31 March 2022 (\$000)	31 March 2021 (\$000)
Present value of -		
Liabilities/vested benefits	(362,266)	(345,088)
Net assets	397,412	409,734
Surplus	35,146	64,646
Funding level	109.7%	118.7%

This table should be read in conjunction with note 10.

The most financially significant assumptions are:

- Discount rates, which are the zero Sovereign bond discount rates, adjusted for tax and investment expenses.
- Allowance for future administration expenses, which is \$806,000 for 33 years.
- The pensioner mortality assumptions, which are based on the results of recent pensioners' mortality investigations and include an allowance for improving mortality.

At 31 March 2021, a notional 2.5% pa net of tax and all expenses discount rate was used in lieu of the discount rates and administration expenses assumptions shown above.

National Provident Pension Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2022

12 STATUTORY ACTUARIAL EXAMINATION – 31 MARCH 2021

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

The most recent statutory actuarial examination was prepared as at 31 March 2021 by Christine Ormrod FNZSA, the Actuary to the Scheme, and is dated 4 August 2021. It covers the three years 31 March 2018 to 31 March 2021.

The following table shows the summary results of the valuation on the funding basis.

Valuation date	31 March 2021	31 March 2018
Present value of -	(\$000)	(\$000)
Liabilities	(345,088)	(347,827)
Net assets	409,734	359,186
Surplus	64,646	11,359
Funding level (net assets/total liabilities)	118.7%	103.3%

The ratio of the net assets to the value of total liabilities is known as the funding level. A funding level of 100% indicates a balance between the net assets and liabilities of the Scheme at the date of the valuation. The funding level of the Scheme at 31 March 2021 was 118.7%. This shows that the Scheme had sufficient assets, as at that date, to meet its liabilities under the valuation assumptions. Under section 60 of the Act, the benefits payable by the Scheme are guaranteed by the Crown.

For this Scheme, the value of vested benefits is equal to the value of the total liabilities and hence the ratio of net assets to the value of vested benefits is the same as the funding level, i.e. 118.7% at 31 March 2021.

The most significant actuarial assumptions used by the Actuary were:

- The discount rate of 2.5% pa, net of tax and expenses.
- The pensioner mortality assumptions, which were based on the results of a recent pensioners' mortality investigation and include an allowance for improving mortality.

Recommendations

In the report on the examination the Actuary recommended:

- The Board documents the objectives of the Scheme, so that it can ensure the investment parameter and investment objectives are consistent with this and to ensure the investment strategy, pension purchase terms and pension increase policy are all consistent with each other and with the objectives of the Scheme.
- The next statutory actuarial examination be carried out as at 31 March 2024, unless the quarterly reviews of the funding levels indicate an earlier examination is appropriate.

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

The Board accepted the recommendations of the Actuary.

National Provident Pension Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2022

13 FINANCIAL RISK MANAGEMENT

The Scheme invests in units of the GAT based on the SAA determined for the Scheme (see note 3). The unit funds hold 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 Strategy 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 3.1% per annum. The volatility is expected to be +/- 3.0%. 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).

14 SUBSEQUENT EVENTS

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

15 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

15.1 BASIS OF PREPARATION

The financial statements have been prepared under the requirements of clause 29 of the Scheme Trust Deed and in accordance with the FMCA. For a description of the Scheme and its funding arrangements see note 1.

15.2 STATEMENT OF COMPLIANCE

These financial statements comply with the New Zealand Equivalents to 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.

National Provident Pension Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2022

15 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

15.3 MEASUREMENT BASE

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

15.4 PRESENTATION AND FUNCTIONAL CURRENCY

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

15.5 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgement has been applied in the classification and measurement of financial assets. This policy has a 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. Asset values are subject to variation due to market fluctuations and volatility (see Notes 13 and 14). Receivables have been valued in accordance with NZ IFRS 9. Under this standard the scheme has adopted the simplified expected credit loss model.

The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period; or in the period of the revision and future periods, if the revision affects both current and future periods.

15.6 FINANCIAL INSTRUMENTS

Financial instruments include both financial assets and financial liabilities.

Financial assets include receivables from related parties and other receivables (if applicable).

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

15.7 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain new accounting standards and interpretations have been issued that are not mandatory for 31 March 2022 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.

15.8 RECOGNITION

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

**National Provident Pension Scheme (the Scheme)
Note to the Financial Statements
for the year ended 31 March 2022**

15 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

15.9 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 the 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.

15.10 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.

15.11 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.

15.12 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.

15.13 PENSIONS

Pensions are recognised in the Statement of Changes in Net Assets when a request for payment is made.

15.14 INVESTMENT INCOME RECOGNITION

Interest income is recognised using the effective interest rate of the instrument. Changes in the fair value on GAT unit funds are recognised in the Statement of Changes in Net Assets. Interest income from 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.

15.15 EXPENSES

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

15.16 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).

National Provident Pension Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2022

16 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

**National Provident Pension Scheme (the Scheme)
Trustee's Report
for the year ended 31 March 2022**

17 OTHER INFORMATION

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

17.1 SCHEME MEMBERSHIP

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

	Pensioners
Opening membership as at 1 April 2021	5,216
Pensioner	
Change of Beneficiary	57
Deaths	(404)
Joins/Rejoins	-
Retirement	-
Transfers in from another NPF scheme	45
Transfer to another NPF scheme	-
Closing membership as at 31 March 2022	<u>4,914</u>

17.2 CONTRIBUTIONS RECEIVED AND BENEFITS PAID

Under the terms of the Scheme Trust Deed, contributions are not required to be made to the Scheme.

The Board certifies that, to the best of its knowledge, all benefits required to be paid from the Scheme were paid in accordance with the terms of the Scheme Trust Deed.

17.3 ADMINISTRATION FEES

Total Scheme administration fees are calculated on fee per member and fee per transaction bases and are charged to the Scheme as a whole. As at 1 October 2021 the administration fees increased in line with inflation. The Board certifies it is satisfied the increase in the administration fee for the Scheme is not unreasonable. The Board is satisfied the total management fees charged to the Scheme are not unreasonable.

17.4 VESTED BENEFITS

The Board, based on the advice of the Actuary, certifies that, as at 31 March 2022, the market value of the net assets of the Scheme exceeded the total value of the vested benefits, under the funding basis (see note 11).

17.5 TRUST DEED

The Scheme Trust Deed has not been amended since 24 June 2021, being the date of the Scheme's last annual report.

National Provident Pension Scheme (the Scheme)
Trustee's Report
for the year ended 31 March 2022

17 OTHER INFORMATION (CONTINUED)

17.6 DIRECTORY

Trustee	<p>Board of Trustees of the National Provident Fund Members of the Board are: Edward Schuck (Board Chair) Graham Ansell (appointed 12 July 2021) Louise Edwards Daniel Mussett Sarah Park Wayne Stechman (retired 30 June 2021) Stephen Ward (Deputy Chair)</p>
Administration Manager	Datacom Connect Limited
Investment managers	<p>Alternatives Manager AQR Capital Management, LLC (<i>terminated 9 March 2022</i>)</p> <p>Fixed Interest Managers Brandywine Global Investment Management, LLC Macquarie Asset Management (NZ) Limited (<i>previously known as AMP Capital Investors (New Zealand) Limited</i>) Pacific Investment Management Company, LLC PGIM, Inc. (<i>appointed 25 January 2022</i>)</p> <p>New Zealand Equity Managers Devon Funds Management Limited Harbour Asset Management Limited</p> <p>Overseas Equity Managers Arrowstreet Capital, Limited Partnership Lazard Asset Management, LLC Russell Investment Management Limited (<i>Transition manager</i>) T. Rowe Price Australia Limited</p> <p>Foreign Exchange Hedging Manager Bank of New Zealand Limited</p>
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

**National Provident Pension Scheme (the Scheme)
Trustee's Report
for the year ended 31 March 2022**

17 OTHER INFORMATION (CONTINUED)

17.6 CORRESPONDENCE

All correspondence relating to the Scheme should be addressed to:

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

OR

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

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

A handwritten signature in black ink, appearing to read 'Edward Schuck', written in a cursive style.

Edward Schuck
Board Chair

28 June 2022

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NATIONAL PROVIDENT PENSION SCHEME

The Auditor-General is the auditor of National Provident Pension 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 13, that comprise the Statement of Net Assets as at 31 March 2022, 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 13:

- present fairly, in all material respects:
 - its net assets as at 31 March 2022 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 28 June 2022. This is the date at which our opinion is expressed.

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

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

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

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

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
<p>Triennial valuation of the promised retirement liabilities (Note 11 and 12)</p> <p>In accordance with the Section 68(1) of the National Provident Fund Restructuring Act 1990 (the Act), the Board of Trustees of the National Provident Fund is required to obtain an actuarial valuation of the estimated promised retirement liabilities as at dates that are no more than three years apart (the “triennial valuation”).</p> <p>On 28 July 2021, the Scheme obtained a triennial valuation as at 31 March 2021 which estimated liabilities of \$345.0million, net assets of \$409.7million and determined a surplus of \$64.7million.</p> <p>On 2 June 2022, the Scheme obtained an interim update letter as at 31 March 2022 from its actuary which showed vested benefits of \$362.3 million. This compared to the net assets of \$397.4 million resulting in a Scheme an actuarial surplus of \$35.1 million.</p> <p>The interim update letter uses the triennial valuation as a base and certain assumptions were updated with available latest information.</p> <p>The triennial valuation and interim update letter is inherently subjective and is affected by use of assumptions such as:</p> <ul style="list-style-type: none"> • The rate of future pension increases; • Future investment returns; • The discount rate; and • Post-retirement mortality of the members. <p>We have included the triennial valuation of the promised retirement liabilities as a key audit matter due to the significance of the disclosures to the financial statements and the subjectivity of the assumptions inherent in estimating the amount.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Testing the underlying data provided to the actuary and confirming that these agree to underlying records; • Evaluating the competence and objectivity and relevant experience of the Scheme’s actuary; • Engaging our internal actuarial specialist to independently understand, challenge and evaluate: <ul style="list-style-type: none"> • The work and findings of the Scheme’s actuary; • The actuarial methods and assumptions employed, specifically, the rate of future pension increases, future investment returns, the discount rate and post-retirement mortality of the members. • Evaluating the related disclosures about the Scheme’s vested benefits and promised retirement liabilities, and the risks attached to them which is included in Note 11 and 12 to the Scheme’s financial statements.

Responsibilities of the Board of Trustees for the financial statements

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

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

In preparing the financial statements, the Board of Trustees is responsible on behalf of the Scheme for assessing the Scheme's ability to continue as a going concern. The Board of Trustees 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 intends 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 29 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 14 to 16 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

National Provident Pension Scheme

Directory as at 28 June 2022

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;
retired 30 June 2021)

Graham Ansell (appointed 12 July 2021)

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.

MANAGEMENT

Simon Tyler

Chief Executive

Philippa Drury

General Manager – Schemes

Fiona Morgan

Chief Financial Officer

Paul Bevin

General Manager – Investments

Hadyn Hunt

Chief Risk Officer

DATACOM

ADMINISTRATION

Datacom Connect Limited is the administrator of the
NPF Schemes.

CONTACT DETAILS

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

Please quote your identity number when contacting
Datacom.

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

Phone: (04) 381 0600

Post to:

The Manager
National Provident Fund Administration
Datacom Connect Limited

P O Box 1036
WELLINGTON 6140

Email: npfenquiries@datacom.co.nz

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.