

# 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 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 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 (New Zealand)	(3.66%)	(5.79%)
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 (2.28%) (2022: 0.22%). In dollar terms, this represents an investment loss from unit funds of \$8.145 million (investment gain 2022: \$1.55 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](http://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 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.

## FUNDING POSITION

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

	2023 (\$000)	2022 (\$000)
Net assets	370,588	397,412
Actuarial liabilities	(343,905)	(362,266)
Funding level*	107.8%	109.7%

\* The funding levels at 31 March 2023 and 31 March 2022, in the table above, have been calculated on the funding basis using discount rates, which are the Sovereign bond yields, adjusted for tax and investment expenses.

## PENSIONS INCREASE

The Board has a financial management framework for the Scheme. In developing the framework, 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 19 June 2023 the Board resolved that no pension increase will be given for the year ended 31 March 2023.

## HOW YOUR MONEY IS INVESTED

The Scheme’s asset allocation strategy is set by the Board and reviewed regularly. Effective from 1 December 2021, the Board set an asset allocation strategy for the Scheme as follows: 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 chart shows the Scheme’s asset allocation strategy effective from 1 December 2021 (and current as at 31 March 2023). There was no DAA tilt in place as at 31 March 2023.

## WHO INVESTS YOUR MONEY

### Fixed Interest Managers

Brandywine Global Investment Management, LLC  
Macquarie Asset Management (NZ) Limited  
Pacific Investment Management Company, LLC  
PGIM, Inc

### New Zealand Equity Manager

Devon Funds Management Limited  
Harbour Asset Management Limited

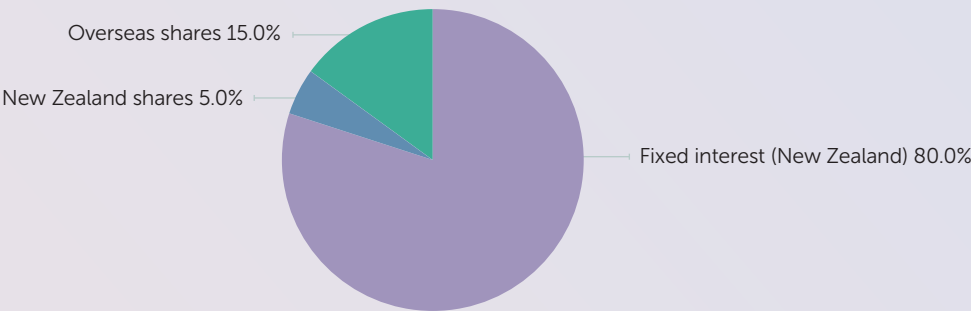
### Overseas Equity Managers

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

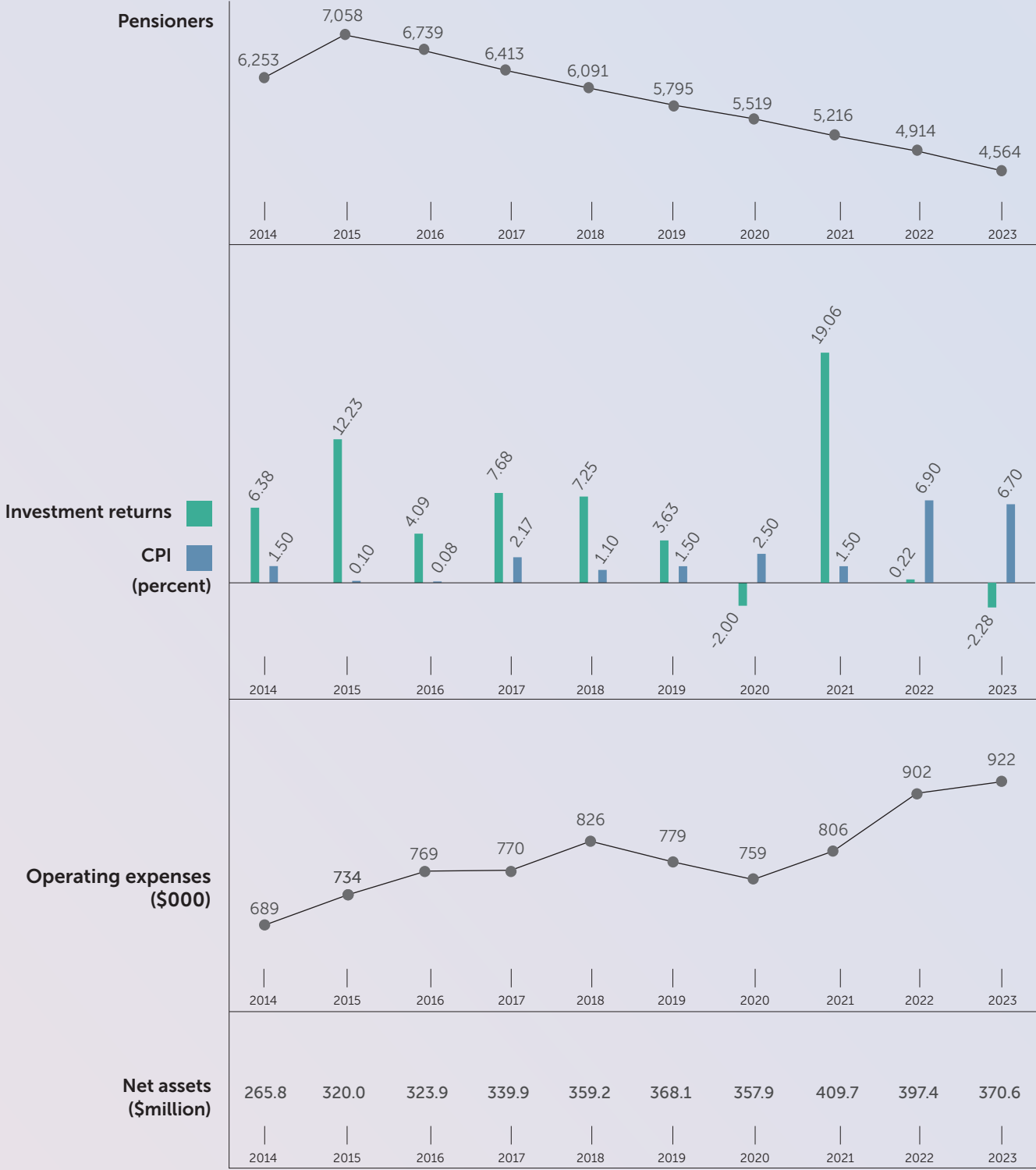
Bank of New Zealand Limited

Asset Allocation Strategy from 1 December 2021  
(and current as at 31 March 2023)



# 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 2023**

	Note	<b>2023</b> <b>(\$'000)</b>	2022 (\$'000)
<b>Investment income</b>			
(Loss)/income from unit funds	4	<b>(8,251)</b>	1,542
Interest received		<b>106</b>	12
<b>Total investment (loss)/income</b>		<b>(8,145)</b>	1,554
<b>Operating expenses</b>			
Actuarial fees		<b>67</b>	84
Audit fees		<b>22</b>	20
Bank fees		<b>4</b>	4
Board member expenses	5	<b>35</b>	33
Management expenses	5	<b>793</b>	752
Stationery and printing		<b>1</b>	9
<b>Total operating expenses</b>		<b>922</b>	902
<b>Net (loss)/income before tax and membership activities</b>		<b>(9,067)</b>	652
Income tax credit	6	<b>228</b>	249
<b>Net (loss)/income after tax and before membership activities</b>		<b>(8,839)</b>	901
<b>Scheme receipts</b>	1		
Transfers from Contributor Schemes		<b>15,049</b>	20,147
<b>Total scheme receipts</b>		<b>15,049</b>	20,147
<b>Scheme payments</b>			
Pensions paid		<b>33,034</b>	33,370
<b>Total scheme payments</b>		<b>33,034</b>	33,370
Net membership activities		<b>(17,985)</b>	(13,223)
<b>(Decrease) in net assets for the year</b>	9	<b>(26,824)</b>	(12,322)
<b>Net assets available to pay benefits at beginning of year</b>		<b>397,412</b>	409,734
<b>Net assets available to pay benefits at end of year</b>		<b>370,588</b>	397,412

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

**National Provident Pension Scheme (the Scheme)**  
**Statement of Net Assets**  
**as at 31 March 2023**

	Note	2023 (\$000)	2022 (\$000)
<b>Investment assets at fair value through profit or loss</b>	3		
Alternatives unit fund		-	1,442
Fixed Interest No 2 unit fund		294,030	107,797
Fixed Interest unit fund		-	206,031
New Zealand Equity unit fund		18,131	17,937
Overseas Equity unit fund		56,506	60,643
		<u>368,667</u>	<u>393,850</u>
<b>Financial assets at amortised cost</b>			
Cash		1,768	3,394
Deferred Tax	6	228	-
Other receivables	8	43	25
Receivable from the Global Asset Trust	7	-	249
		<u>2,039</u>	<u>3,668</u>
<b>Total assets</b>		<u>370,706</u>	<u>397,518</u>
<b>Current liabilities at amortised cost</b>			
Account payable		118	106
<b>Total liabilities</b>		<u>118</u>	<u>106</u>
<b>Net assets available to pay benefits</b>		<u>370,588</u>	<u>397,412</u>

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.

**National Provident Pension Scheme (the Scheme)**  
**Statement of Cash Flows**  
**for the year ended 31 March 2023**

	Note	<b>2023</b> <b>(\$'000)</b>	2022 (\$'000)
<b>Cash flows from operating activities<sup>1</sup></b>			
Cash was provided from:			
Interest received		<b>106</b>	12
Transfers from Contributors Schemes		<b>15,049</b>	20,147
		<b>15,155</b>	20,159
Cash was applied to:			
Operating expenses		<b>665</b>	445
Pensions paid		<b>33,048</b>	33,367
		<b>33,713</b>	33,812
<b>Net cash flows used in operating activities</b>	9	<b>(18,558)</b>	(13,653)
<b>Cash flows from investing activities<sup>2</sup></b>			
Cash was provided from sale of units in:			
Alternative unit fund		<b>1,500</b>	21,865
Fixed Interest No 2 unit fund		<b>7,700</b>	-
Fixed Interest unit fund		<b>203,864</b>	111,128
New Zealand Equity unit fund		<b>108</b>	7,939
Overseas Equity unit fund		<b>4,995</b>	89,393
		<b>218,167</b>	230,325
Cash was applied to purchase units in:			
Alternatives unit fund		-	21
Fixed Interest No 2 unit fund		<b>200,117</b>	110,000
Fixed Interest unit fund		<b>271</b>	99,436
New Zealand Equity unit fund		<b>810</b>	5,388
Overseas Equity unit fund		<b>37</b>	989
		<b>201,235</b>	215,834
<b>Net cash flows from investing activities</b>		<b>16,932</b>	14,491
<b>Net (decrease)/increase in cash held</b>		<b>(1,626)</b>	838
Add opening cash brought forward		<b>3,394</b>	2,556
<b>Closing cash carried forward<sup>3</sup></b>		<b>1,768</b>	3,394

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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 12 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 2023**

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## **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 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 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 2023**

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

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

	<b>2023</b> <b>(%)</b>	2022 (%)
Fixed Interest No 2 unit fund	<b>80.0</b>	26.7
Fixed Interest unit fund	-	53.3
New Zealand Equity unit fund	<b>5.0</b>	5.0
Overseas Equity unit fund	<b>15.0</b>	15.0

**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:

	<b>2023</b> <b>(\$000)</b>	2022 (\$000)
Alternatives unit fund	-	188
Fixed Interest No 2 unit fund	<b>(6,183)</b>	(2,203)
Fixed Interest unit fund	<b>(2,380)</b>	(5,972)
New Zealand Equity unit fund	<b>(509)</b>	(414)
Overseas Equity unit fund	<b>821</b>	9,943
<b>(Loss)/income from unit funds</b>	<b><u>(8,251)</u></b>	<u>1,542</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.



**National Provident Pension 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:

	<b>2023</b> <b>(\$000)</b>	2022 (\$000)
Scheme specific income	<b>106</b>	12
Deductible expenses	<b>(922)</b>	(902)
Expense election to the GAT	<b>-</b>	890
<b>Taxable income</b>	<b>(816)</b>	-
<b>Net (loss)/income before tax and membership activities</b>	<b>(9,067)</b>	652
Tax at 28%	<b>(2,538)</b>	183
Non-deductible expenditure/(non-assessable income)	<b>2,310</b>	(432)
<b>Income tax credit</b>	<b>(228)</b>	(249)
<b>Represented by:</b>		
Income tax credit on current year (loss)/income	<b>(228)</b>	(249)
<b>Income tax credit</b>	<b>(228)</b>	(249)
<b>Movements in deferred taxation</b>		
Opening balance	<b>-</b>	-
Current year movement	<b>228</b>	-
<b>Deferred tax asset</b>	<b>228</b>	-

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.

## **8 OTHER RECEIVABLES**

Other receivables consist of:

	<b>2023</b> <b>(\$000)</b>	2022 (\$000)
Management fee refund	<b>20</b>	16
Sundry receivables	<b>23</b>	9
<b>Total other receivables</b>	<b>43</b>	25

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

**9 Reconciliation of (Decrease) in Net Assets for the Year to Net Cash Flows Used in Operating Activities**

	<b>2023</b> <b>(\$000)</b>	2022 (\$000)
<b>(Decrease) in net assets for the year</b>	<b>(26,824)</b>	(12,322)
<b>Movement in working capital</b>		
Change in accounts payable	<b>12</b>	26
Change in other receivables	<b>(18)</b>	12
	<b>(6)</b>	38
<b>Add non-cash items</b>		
Movement in receivable from the GAT	<b>249</b>	173
Movement in deferred tax	<b>(228)</b>	-
	<b>21</b>	173
<b>Items classified as investing activities</b>		
Loss/(income) from unit funds	<b>8,251</b>	(1,542)
	<b>8,251</b>	(1,542)
<b>Net cash flows used in operating activities</b>	<b>(18,558)</b>	(13,653)

**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 2023**

**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 2023, are set out below for the funding level and vested benefits ratio.

**11.2 FUNDING LEVEL AND VESTED BENEFITS RATIO – 31 MARCH 2023**

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 2023**

**11 ACTUARIAL EXAMINATION AND REVIEW, FUNDING LEVEL AND VESTED BENEFITS RATIO – 31 MARCH 2023 (CONTINUED)**

**11.2 FUNDING LEVEL AND VESTED BENEFITS RATIO – 31 MARCH 2023 (CONTINUED)**

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

<b>Funding level and vested benefits – funding basis</b>	<b>2023 (\$000)</b>	<b>2022 (\$000)</b>
<b>Present value of -</b>		
Liabilities/vested benefits	<b>(343,905)</b>	(362,266)
Net assets	<b>370,588</b>	397,412
Surplus	<b>26,683</b>	35,146
Funding level	<b>107.8%</b>	109.7%

This table should be read in conjunction with note 10.

The most financially significant assumptions are:

- Discount rates, which are Sovereign bond yields, adjusted for tax and investment expenses.
- Allowance for future administration expenses, which is a continuation of administration expenses through to 31 March 2055, at the rate experienced in the previous year less tax at 28%.
- Pensioner mortality assumptions, which are based on the results of recent pensioners' mortality investigations and include an allowance for improving mortality.

**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.

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

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

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## **12 STATUTORY ACTUARIAL EXAMINATION – 31 MARCH 2021 (Continued)**

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.

## **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](http://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

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

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### **13 FINANCIAL RISK MANAGEMENT (Continued)**

The long run investment return for the Scheme is estimated to be 3.8% per annum. The volatility is expected to be +/- 4.9%. 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.

#### **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.

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

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## **15 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 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.

### **15.8 RECOGNITION**

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

### **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.

**National Provident Pension Scheme (the Scheme)  
Note to the Financial Statements  
for the year ended 31 March 2023**

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**15 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**16 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

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

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## **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:

	<b>Pensioners</b>
<b>Opening membership as at 1 April 2022</b>	<b>4,914</b>
Pensioner	
Change of Beneficiary	52
Deaths	(454)
Joins/Rejoins	-
Retirement	-
Transfers in from another NPF scheme	52
Transfer to another NPF scheme	-
<b>Closing membership as at 31 March 2023</b>	<b>4,564</b>

### **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**

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.

### **17.4 VESTED BENEFITS**

The Board, based on the advice of the Actuary, certifies that, as at 31 March 2023, 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 28 June 2022, being the date of the Scheme's last annual report.



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**17 OTHER INFORMATION (CONTINUED)**

**17.6 DIRECTORY**

<b>Trustee</b>	<p><b>Board of Trustees of the National Provident Fund</b>  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)</p>
<b>Administration Manager</b>	Datacom Connect Limited
<b>Investment managers</b>	<p><b>Fixed Interest Managers</b>  Brandywine Global Investment Management, LLC  Macquarie Asset Management (NZ) Limited  Pacific Investment Management Company, LLC  PGIM, Inc.</p> <p><b>New Zealand Equity Managers</b>  Devon Funds Management Limited  Harbour Asset Management Limited</p> <p><b>Overseas Equity Managers</b>  Arrowstreet Capital, Limited Partnership  Lazard Asset Management, LLC  Russell Investment Management Limited (Terminated 14 June 2022)  T. Rowe Price Australia Limited</p> <p><b>Foreign Exchange Hedging Manager</b>  Bank of New Zealand Limited</p>
<b>Actuary</b>	Christine Ormrod, PricewaterhouseCoopers Consulting (New Zealand) LP
<b>Auditor</b>	Silvio Bruinsma, Deloitte Limited (on behalf of the Auditor-General)
<b>Solicitor</b>	DLA Piper New Zealand
<b>Bank</b>	Bank of New Zealand
<b>Custodian</b>	JP Morgan Chase Bank

**National Provident Pension Scheme (the Scheme)  
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**17 OTHER INFORMATION (CONTINUED)**

**17.7 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 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 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

Key audit matters are those matters that, in our professional judgement, were of most significance 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><b>Valuation of the promised retirement liabilities (Note 11)</b></p> <p>On 2 June 2023, the Scheme obtained an interim update letter as at 31 March 2023 from its actuary which showed vested benefits of \$343.9 million. This compared to the net assets of \$370.6 million resulting in a Scheme actuarial surplus of \$26.7 million.</p> <p>The interim update letter uses the latest triennial valuation as at 31 March 2021 as a base and certain assumptions were updated with available latest information.</p> <p>The interim update letter is inherently subjective and is affected by use of assumptions such as:</p> <ul style="list-style-type: none"> <li>• The rate of future pension increases;</li> <li>• Future investment returns;</li> <li>• The discount rate; and</li> <li>• Post-retirement mortality of the members.</li> </ul> <p>We have included the 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"> <li>• Testing the underlying data provided to the actuary and confirming that these agree to underlying records.</li> <li>• Evaluating the competence and objectivity and relevant experience of the Scheme's actuary.</li> <li>• Engaging our internal actuarial specialist to independently understand, challenge and evaluate: <ul style="list-style-type: none"> <li>• The work and findings of the Scheme's actuary;</li> <li>• 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.</li> </ul> </li> <li>• 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 to the Scheme's financial statements.</li> </ul>

## 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 1 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

# National Provident Pension 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](http://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

## 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](mailto:npfenquiries@datacom.co.nz)

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

You may contact the Board by writing to:

The Chief Executive  
Board of Trustees of the National Provident Fund  
Level 12, The Todd Building  
95 Customhouse Quay  
WELLINGTON 6011

**Auditor:** Silvio Bruinsma, Deloitte Limited, on behalf of the Auditor-General

**Actuary:** Christine D Ormrod,  
PricewaterhouseCoopers Consulting  
(New Zealand) LP

**Bank:** Bank of New Zealand Limited

**Custodian:** JPMorgan Chase Bank, N.A.

**Solicitor:** DLA Piper New Zealand

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