

Pension Cash Accumulation Scheme

On behalf of the Board of Trustees of the National Provident Fund, set out below is a report on the performance and activities of your Scheme for the year ended 31 March 2020. Further information on the National Provident Fund's activities, and commentary on investment markets, is set out in the Review.

Your Scheme

CROWN GUARANTEE

The Pension Cash Accumulation Scheme is a cash accumulation 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.

	Return	Index
Cash	1.87%	1.50%
Fixed interest	2.17%	6.02%
New Zealand shares	1.34%	0.36%
Overseas shares	(7.85%)	(6.12%)

The investment return (after tax and expenses) earned by the Scheme for the year ended 31 March 2020 was -0.27%.

See the comparison over the page for the key statistics of your Scheme over the last 10 years. For an overview of the financial performance of the Scheme, refer to the tables on the following pages.

Annual Report for the year ended 31 March 2020

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 2020.

The summary financial statements cannot be expected to provide as complete an understanding as the full financial statements. Members are welcome to contact the Scheme administrator, Datacom (see details on back page), for a free copy of the Scheme's full financial statements.



Pension Cash Accumulation Scheme

EARNINGS RATE

The earnings rate declared by the Board for the Scheme for the year ended 31 March 2020 was 4.0%. There was no distribution from reserves this year. In line with the Board's crediting and reserving policy, the difference between the investment return of -0.27% and the earnings rate of 4.0% has been taken from the reserves of the Scheme. The reserves are now -3.2% of contributors' total credits (2019: 1.6%).

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

WHO INVESTS YOUR MONEY

Cash

AMP Capital Investors (New Zealand) Limited
ANZ Bank New Zealand Limited (*contract ended 20 April 2020*)

Fixed interest

Ashmore Investment Management Limited (emerging markets) (*contract ended 25 November 2019*)
Brandywine Global Investment Management, LLC
Pacific Investment Management Company LLC

New Zealand shares

Devon Funds Management Limited
Harbour Asset Management Limited

Overseas shares

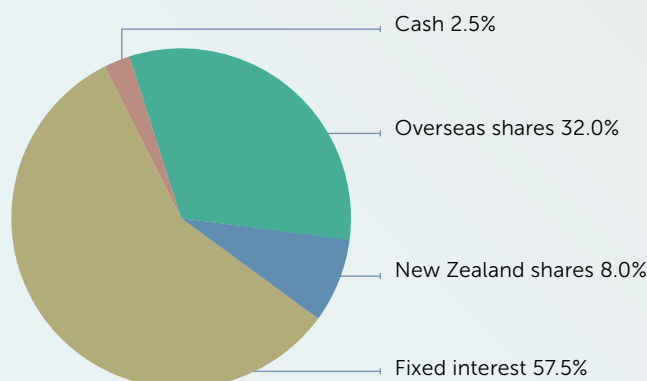
Arrowstreet Capital, Limited Partnership
Lazard Asset Management, LLC
Marathon Asset Management, LLP (*contract ended 4 March 2020*)
T. Rowe Price Australia Limited (*appointed 24 March 2020*)

Foreign exchange hedging

ANZ Bank New Zealand Limited
Bank of New Zealand Limited

HOW YOUR MONEY IS INVESTED

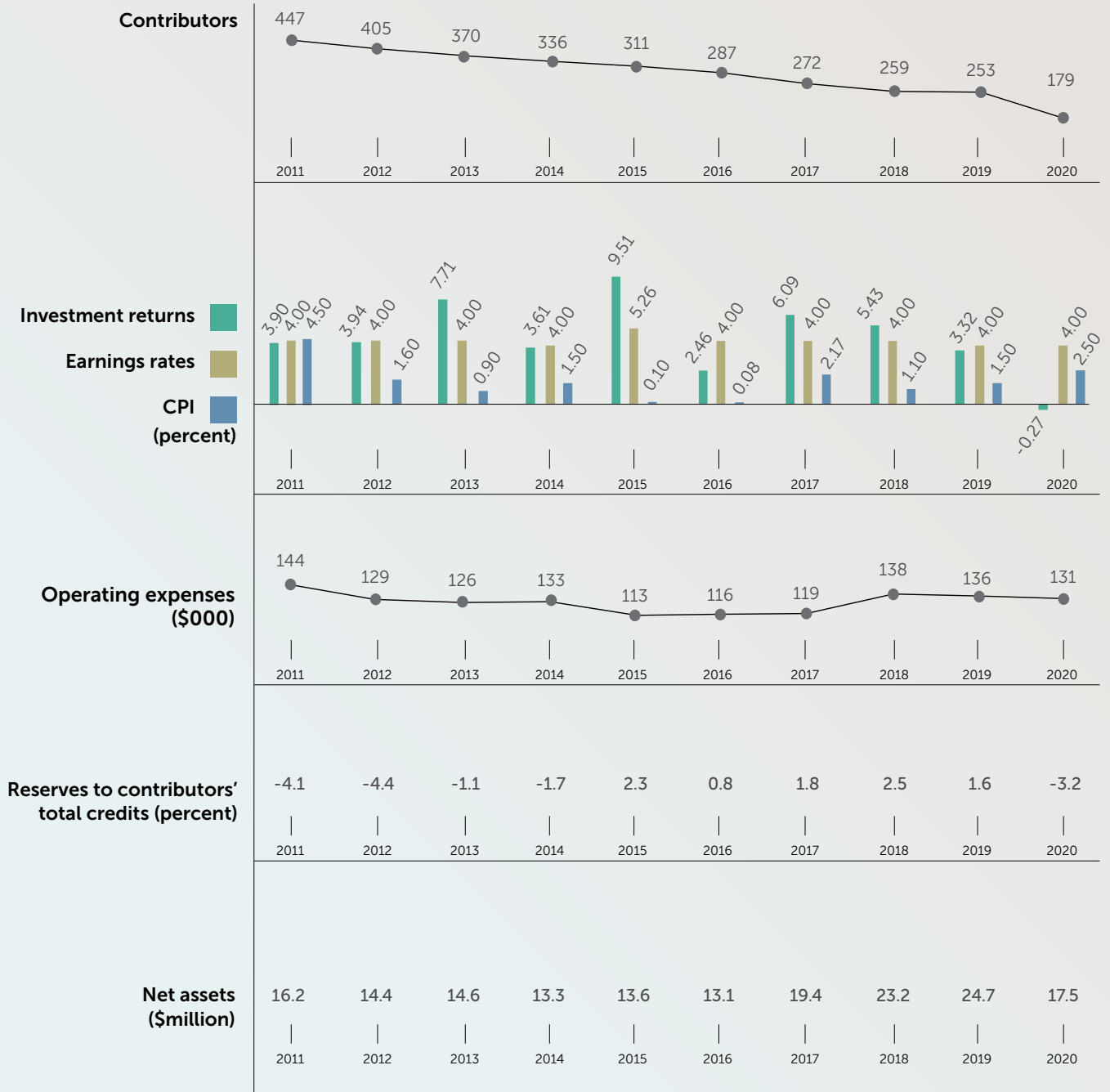
The Scheme's asset allocation strategy is set by the Board and reviewed regularly. No changes were made to the Scheme's asset allocation during the year. The pie charts show the Scheme's asset allocation strategy effective from 1 May 2018.



The Board's Statement of Investment Policies, Standards and Procedures (**SIPSP**) is reviewed regularly by the Board. There were no significant changes to the SIPSP during the year. See our website, www.npf.co.nz, for more information about your Scheme, including the Board's SIPSP and the Scheme trust deed.

Pension Cash Accumulation Scheme

10 year comparison



Pension Cash Accumulation Scheme (the Scheme)
Statement of Changes in Net Assets
for the year ended 31 March 2020

	Note	2020 (\$000)	2019 (\$000)
Investment income			
Income from unit funds	4	29	871
Interest received		12	14
Total investment income		41	885
Operating expenses			
Actuarial fees		6	6
Audit fees		16	16
Board member expenses	5	26	22
Consultancy fees		-	3
Legal fees		-	2
Management expenses	5	83	87
		131	136
Net (loss)/income before tax and membership activities		(90)	749
Income tax credit	6	33	34
Net (loss)/income after tax and before membership activities		(57)	783
Scheme receipts			
Contributor contributions	1	395	1,309
Transfers in		928	3,074
Total scheme receipts		1,323	4,383
Scheme payments			
Benefits paid		761	122
Transfers to National Provident Pension Scheme		1,158	1,123
Transfers paid to other schemes		6,618	2,376
Total scheme payments		8,537	3,621
Net membership activities		(7,214)	762
(Decrease)/increase in liability for accrued benefits	9	(7,271)	1,545

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

Pension Cash Accumulation Scheme (the Scheme)
Statement of Net Assets
for the year ended 31 March 2020

	Note	2020 (\$000)	2019 (\$000)
Investment assets at fair value through profit or loss	3		
Units held in:			
Cash Unit Fund		465	844
Fixed Interest Unit Fund		10,264	13,428
New Zealand Equity Unit Fund		1,228	2,025
Overseas Equity Unit Fund		4,700	7,496
		16,657	23,793
Financial assets at amortised cost			
Cash		774	898
Other receivables	8	22	31
Receivable from the Global Asset Trust	7	-	34
		796	963
Other assets			
Deferred tax asset	6	33	-
		33	-
Total assets		17,486	24,756
Current liabilities at amortised cost			
Account payable		25	25
Total liabilities		25	25
Net assets available to pay benefits		17,461	24,731
Represented by:			
Liability for accrued benefits			
Allocated to contributors' total credits		18,030	24,333
Unallocated reserves	11	(569)	398
		17,461	24,731

Authorised for issue on 29 June 2020

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



Edward J Schuck
Board Chair



Stephen P Ward
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.

Pension Cash Accumulation Scheme (the Scheme)
Statement of Cash Flows
for the year ended 31 March 2020

	Note	2020	2019
		(\$000)	(\$000)
Cash flows from operating activities¹			
Cash was provided from:			
Interest received		12	14
Scheme receipts		<u>1,323</u>	<u>4,393</u>
		1,335	4,407
Cash was applied to:			
Benefits paid		761	122
Operating expenses		89	126
Transfers paid to other schemes		6,618	2,376
Transfers to National Provident Pension Scheme		<u>1,157</u>	<u>1,123</u>
		8,625	3,747
Net cash flows from operating activities	9	<u>(7,290)</u>	<u>660</u>
 Cash flows from investing activities²			
Cash was provided from sale of units in:			
Cash Unit Fund		548	186
Fixed Interest Unit Fund		4,032	3,721
New Zealand Equity Unit Fund		932	228
Overseas Equity Unit Fund		<u>2,796</u>	<u>806</u>
		8,308	4,941
Cash was applied to purchase units in:			
Cash Unit Fund		160	455
Fixed Interest Unit Fund		675	1,802
New Zealand Equity Unit Fund		75	904
Overseas Equity Unit Fund		<u>232</u>	<u>2,454</u>
		1,142	5,615
Net cash flows from investing activities		<u>7,166</u>	<u>(674)</u>
Net (decrease)/increase in cash held		(124)	(14)
Add opening cash brought forward		<u>898</u>	<u>912</u>
Closing cash carried forward³		<u>774</u>	<u>898</u>

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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.

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

**Pension Cash Accumulation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2020**

1 DESCRIPTION OF THE SCHEME AND FUNDING ARRANGEMENTS

The Scheme is a personal contribution scheme, governed by a Trust Deed. The Scheme is deemed to be registered on the register of managed investment schemes under the Financial Markets Conduct Act 2013 (FMCA).

Under the terms of the Scheme Trust Deed, contributors make contributions to the Scheme at any rate and at any time as determined by the contributors, with no minimum amount required in respect of any contribution.

Each year contributors are credited with an earnings rate, which is not less than 4%.

2 RELATED PARTIES

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

The Board and the Government Superannuation Fund Authority (the Authority) have formed a joint venture company, Annuitas Management Limited (Annuitas). Each organisation has entered into a management services agreement with Annuitas. The 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 J Schuck and Stephen P 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 the National Provident 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 prescribed Strategic Asset Allocation (SAA) (refer note 3).

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

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

3 STRATEGIC ASSET ALLOCATION (SAA) - INVESTMENT

The Scheme is authorised to invest in the Global Asset Trust (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.

Pension Cash Accumulation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2020

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

The fair value of the units held by the Scheme in the GAT is based on the valuation of the financial instruments held by the GAT. The fair value of these financial instruments is based on exit prices at balance date without any deduction for future selling costs. If the exit price for an instrument is not available on a recognised exchange the fair value is estimated taking into account comparable markets and specialist advice.

The benchmark asset allocations as at 31 March 2020 and 31 March 2019 are shown below:

	2020	2019
	(%)	(%)
Cash Unit Fund	2.5	2.5
Fixed Interest Unit Fund	57.5	57.5
New Zealand Equity Unit Fund	8.0	8.0
Overseas Equity Unit Fund	32.0	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:

	2020	2019
	(\$000)	(\$000)
Cash Unit Fund	10	12
Fixed Interest Unit Fund	192	191
New Zealand Equity Unit Fund	59	257
Overseas Equity Unit Fund	(232)	411
Income from unit funds*	29	871

* 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.

6 INCOME TAX

Income specific to the Scheme is subject to tax at 28%, after allowing for deductible expenses.

Pension Cash Accumulation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2020

6 INCOME TAX (CONTINUED)

The income tax reconciliation is as follows:

	2020 (\$000)	2019 (\$000)
Scheme specific income	12	14
Deductible expenses	(131)	(136)
Expense election to the GAT under section DV 2	119	122
Taxable income	-	-
Net (loss)/ income before tax and membership activities	(90)	749
Tax at 28%	(25)	210
Non-assessable income	(8)	(244)
Income tax credit	(33)	(34)
Represented by:		
Income tax credit on current year income	(33)	(34)
Prior year adjustment	-	-
Income tax credit	(33)	(34)
Movement in deferred taxation		
Opening balance	-	-
Prior period adjustment	-	-
Current year movement	33	-
Deferred tax asset	33	-

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 in a future income year. The GAT is subject to tax at the rate of 28%.

The income of \$29,000 (2019: \$871,000) 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 2019 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 section DV 2 of the Income Tax Act 2007. The Scheme realised 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:

	2020 (\$000)	2019 (\$000)
Management fee refund	22	31
Employer contributions receivables	-	-
Total other receivables	22	31

Pension Cash Accumulation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2020

9 RECONCILIATION OF INCREASE IN LIABILITY FOR ACCRUED BENEFITS TO NET CASH FLOWS USED IN OPERATING ACTIVITIES

	2020	2019
	(\$000)	(\$000)
(Decrease)/ increase in liability for accrued benefits	(7,271)	1,545
Movement in working capital		
Change in accounts payable	-	(2)
Change in other receivables	9	(22)
Change in contributions receivable	-	9
	9	(15)
Add non-cash items		
Change in receivable from the GAT	34	1
Change in deferred tax	(33)	-
	1	1
Items classified as investing activities		
(Income) from unit funds	(29)	(871)
	(29)	(871)
Net cash flows used in operating activities	(7,290)	660

10 GUARANTEED BENEFITS

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

11 UNALLOCATED RESERVES

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

Movements in reserves during the year were as follows:

	2020	2019
	(\$000)	(\$000)
Reserves at beginning of year	398	574
Applied to transfers	(99)	(8)
Extinguished liabilities	1	(7)
Net income before membership activities	(57)	783
Applied to exits	(142)	(63)
Applied to contributors' total credits	(670)	(881)
Reserves at end of year	(569)	398

Positive reserves, which have not been allocated to contributors' total credits, may be distributed at the discretion of the Board, in accordance with the Scheme Trust Deed, principally for:

- a. increasing all contributors' total credits on an equitable basis; and
- b. paying Scheme expenses.

Pension Cash Accumulation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2020

12 VESTED BENEFITS

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

As at 31 March 2020, all contributors would have been entitled to receive a transfer value and many contributors would have been entitled to receive their total credit. At this date, contributors' total credits were greater than their transfer values and the vested benefits amount shown below is the total of contributors' total credits.

	2020 (\$000)	2019 (\$000)
Value of vested benefits	18,030	24,406
Value of net assets	17,461	24,731

The table should be read in conjunction with note 10.

13 ACTUARIAL VALUATION – 31 MARCH 2018

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

The National Provident Fund Restructuring Act 1990 does however require an actuarial examination to be undertaken every three years. The last examination was undertaken, as at 31 March 2018, and covered the three years 31 March 2015 to 31 March 2018.

The report of the examination, as at 31 March 2018, showed the funding level of the Scheme increased from 102.3% to 102.5% over the three years to 31 March 2018. The valuation results were

Valuation date	2018 (\$000)	2015 (\$000)
Present value of -		
Total credits	22,612	13,334
Reserves	574	308
Net assets	23,186	13,642
Funding level	102.5%	102.3%

This table should be read in conjunction with note 10.

14 FINANCIAL RISK MANAGEMENT

The Scheme invests in units of the GAT based on the SAA determined for the Scheme (refer 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.

**Pension Cash Accumulation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2020**

14 FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

For more information on the disclosures under NZ IFRS 13 and the risks mentioned above reference should be made to 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 Strategic Asset Allocation 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 2.4% per annum. 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).

If the long term rates of return for all of the asset classes in the SAA increased by a factor of 1.10 this would increase the investment return from 2.4% to 2.8% per annum. Similarly, if the long term rates of return for all the asset classes in the SAA decreased by 1.10, the investment return would decrease to 2.2% per annum. This would increase or decrease the before tax profit by approximately \$33,000.

The earnings rate each year is determined with reference to the investment return, but is not less than 4.0% per annum as per the Scheme Trust Deed.

15 COVID-19 IMPACT

Since 31 March 2020 the continued spread of COVID-19 and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. Global markets have also experienced significant volatility.

The subsequent quarantine measures and travel restrictions imposed by the New Zealand government have caused disruption to businesses and economic activity. As the scheme is an essential service, operations have been able to continue remotely during the Government alert levels.

Governments and central banks have reacted with monetary and fiscal interventions designed to stabilise economic conditions, however, the duration and extent of the impact of Covid-19 outbreak, as well as the effectiveness of the bank's responses, remain unclear at this time.

The Scheme has recorded a loss from unit funds of \$0.029 million for the year ended 31 March 2020. In addition, the Scheme has obtained an interim update letter to its triennial actuarial valuation and certain assumptions were updated with latest available information (see Note 12). The vested benefits of the Scheme of \$18.030 million is higher than the net assets of \$17.461 million, resulting in a deficit of \$0.569 million. However, the deficit has to be read in conjunction with Note 10, that the benefits payable by the Scheme are guaranteed by the Crown under Section 60 of the National Provident Fund Restructuring Act 1990.

Pension Cash Accumulation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2020

15 COVID-19 IMPACT (CONTINUED)

As at 30 April 2020, one month after the reporting date of these financial statements, the fair value of the schemes Investment Assets had increased by \$0.431 million. It is expected that the volatility in local and global markets affecting the investment assets will continue in foreseeable future and will continue to have an impact on the value of the investment assets. These are considered to be non-adjusting subsequent events and therefore there is no change in value reflected in these financial statements. The Board is monitoring the impact of the movements in the market on an ongoing basis.

16 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

16.1 BASIS OF PREPARATION

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

16.2 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.

16.3 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.

16.4 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).

16.5 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. Investment asset values are subject to variation due to market fluctuations. Receivables have been valued in accordance with NZ IFRS 9. Under this standard the scheme has adopted the simplified expected credit loss model.

**Pension Cash Accumulation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2020**

16 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

16.6 STANDARDS ISSUED BUT NOT EFFECTIVE

Certain new accounting standards and interpretations have been issued that are not mandatory for 31 March 2020 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.

16.7 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).

16.8 RECOGNITION

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

16.9 MEASUREMENT

Financial assets that are classified at fair value through profit or loss are measured at fair value where all resulting gains or losses are recorded in the Statement of Changes in Net Assets.

Financial assets and financial liabilities are recorded at amortised cost using the effective interest rate method, less any impairment losses. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument to the net carrying amount of the financial asset or liability.

16.10 IMPAIRMENT

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

16.11 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.

**Pension Cash Accumulation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2020**

16 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

16.12 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.

16.13 CONTRIBUTIONS

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

16.14 BENEFITS

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

16.15 INVESTMENT INCOME RECOGNITION

Interest income is recognised using the effective interest rate of the instrument. Changes in the fair value of GAT unit funds are recognised in the Statement of Changes in Net Assets. Interest income on financial assets classified at fair value through profit or loss, is accrued at balance date. Dividend income is recognised in the Statement of Changes in Net Assets on the ex-dividend date.

16.16 EXPENSES

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

16.17 TAXATION

Any income or loss arising from the movement in the fair value of the unit funds of the GAT is received by the Scheme tax paid. The Scheme's deductible operating expenses are offset against the Scheme's interest received to result in nil assessable income.

Any surplus deductible operating expenses are transferred to the GAT under section DV 2 of the Income Tax Act 2007 (refer notes 6 and 7).

16.18 ACCRUED BENEFITS

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

17 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

**Pension Cash Accumulation Scheme (the Scheme)
Trustee's Report
for the year ended 31 March 2020**

18 OTHER INFORMATION

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

18.1 SCHEME MEMBERSHIP

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

	Contributors
Opening membership 1 April 2019	253
Deaths and disablements	(5)
Extinguished liabilities ⁺	(1)
Joins/rejoins	5
Retirements	(16)
Transfers	(57)
Withdrawals	-
Closing membership as at 31 March 2020	<u>179</u>

⁺ Following a trust deed amendment on 5 April 2001, once reasonable efforts have been made to locate a member, who has been missing for at least five years, the Board may extinguish the liabilities to that member.

Where a person re-establishes contact with the Board within 15 years of the liabilities to that person being extinguished, the person is reinstated as a member of the Scheme.

18.2 CONTRIBUTIONS RECEIVED AND BENEFITS PAID

The terms of the Scheme Trust Deed do not specify contribution levels.

18.3 VESTED BENEFITS

The Board, based on the advice of the Actuary, certifies that, as at 31 March 2020, the market value of the net assets was approximately equal to the amount that would have been payable if all members transferred out of the Scheme on that date but was less than the amount that would have been payable if all contributors retired on that date.

18.4 EARNINGS RATE

The Scheme's earnings rate (crediting rate) declared by the Board for the year ended 31 March 2020 was 4.00%.

18.5 INVESTMENT WITH PARTIES 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.

18.6 TRUST DEED

The Scheme Trust Deed has not been amended since 25 June 2019, being the date of the Scheme's last annual report.

**Pension Cash Accumulation Scheme (the Scheme)
Trustee's Report
for the year ended 31 March 2020**

18 OTHER INFORMATION (CONTINUED)

18.7 DIRECTORY

Trustee	Board of Trustees of the National Provident Fund Members of the Board are: Edward J Schuck (Chair) Louise M Edwards (<i>Appointed 01 July 2019</i>) Catherine M McDowell (<i>Retired 30 June 2019</i>) Graeme R Mitchell (<i>Retired 30 June 2019</i>) Daniel J Mussett Sarah N Park (<i>Appointed 01 February 2020</i>) Wayne L Stechman Stephen P Ward (Deputy Chair)
Administration manager	Datacom Connect Limited
Investment managers	Cash Managers AMP Capital Investors (NZ) Limited ANZ Bank NZ Limited Fixed Interest Managers Ashmore Investment Management Limited (<i>terminated 25 November 2019</i>) Brandywine Global Investment Management, LLC Pacific Investment Management Company, LLC New Zealand Equity Managers Devon Funds Management Limited Harbour Asset Management Limited Overseas Equity Managers Arrowstreet Capital, Limited Partnership Lazard Asset Management, LLC Marathon Asset Management, LP T Rowe Price Australia Limited (<i>appointed 12 March 2020</i>) Foreign Exchange Hedging Managers ANZ Bank New Zealand Limited Bank of New Zealand Limited
Actuary	Christine D 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

**Pension Cash Accumulation Scheme (the Scheme)
Trustee's Report
for the year ended 31 March 2020**

18 OTHER INFORMATION (CONTINUED)

18.8 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 J Schuck
Board Chair

29 June 2020



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PENSION CASH ACCUMULATION SCHEME

The Auditor-General is the auditor of Pension Cash Accumulation 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 2020, 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 2020; 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 29 June 2020. 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.

Emphasis of matter – Covid-19

Without modifying our opinion, we draw attention to note 15 to the financial statements, which explains the impact of the Covid-19 pandemic on the Scheme.

Basis for our opinion

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

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

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

Key Audit Matters

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



Responsibilities of the Board of Trustees for the financial statements

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

The Board of Trustees are 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 are responsible on behalf of the Scheme for assessing the Scheme's ability to continue as a going concern. The Board of Trustees are also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Trustees intend to wind-up the Scheme or to cease operations, or have no realistic alternative but to do so.

The Board of Trustees' responsibilities arise from the Financial Markets Conduct Act 2013 and clause 38 of the Scheme's Trust Deed.

Responsibilities of the auditor for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of members taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Trustees.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of

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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 are responsible for the other information. The other information comprises the information included on pages 13 to 15, but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Scheme in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): *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

Pension Cash Accumulation Scheme

Directory as at 29 June 2020

BOARD MEMBERS

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

Louise M Edwards (appointed 1 July 2019)

Catherine McDowell (retired 30 June 2019)

Graeme Mitchell BA, CA, FCA (retired 30 June 2019)

Daniel Mussett (appointed 2016)

Sarah N Park (appointed 1 February 2020)

Wayne Stechman (appointed 2012)

Stephen Ward (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

Fiona Morgan

Chief Financial Officer

Philippa Drury

General Manager – Schemes

Janet Shirley

Manager – Schemes

Paul Bevin

General Manager – Investments

Nicky Rumsey

Manager – Investments

Peter McCaffrey

Manager – Equities and Alternatives

Keith Poore

Manager – Portfolio Strategy and Risk

There were no changes to Management during the year.

DATAKOM

ADMINISTRATION

Datacom Connect Limited is the administrator of the NPF Schemes.

CONTACT DETAILS

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

Please quote your identity number when contacting Datacom.

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

Phone: (04) 381 0600

Post to:

The Manager

National Provident Fund Administration

Datacom Connect Limited

P O Box 1036 WELLINGTON 6140

Email: npfenquiries@datacom.co.nz

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

You may contact the Board by writing to:

The Chief Executive

Board of Trustees of the National Provident Fund

Level 12, The Todd Building

95 Customhouse Quay

WELLINGTON 6011

Auditor: 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

The Auditor last year was Michael Wilkes, also of Deloitte Limited, on behalf of the Auditor-General. There were no changes to the Actuary, Bank, Custodian or Solicitor during the year.