



Pension National Scheme

SUMMARISED ANNUAL REPORT

For the year ended 31 March 2018

Deloitte.

This audit report relates to the summary financial statements of the Pension National Scheme for the year ended 31 March 2018 included on this website. The Board is responsible for the maintenance and integrity of this website. We have not been engaged to report on the integrity of this website. We accept no responsibility for any changes that may have occurred to the summary financial statements since they were initially presented on this website. The audit report refers only to the summary financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these summary financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited summary financial statements and related audit report dated 21 June 2018 to confirm the information included in the audited summary financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements and summary financial statements may differ from legislation in other jurisdictions.



NATIONAL
PROVIDENT



Pension National Scheme

On behalf of the Board of Trustees of the National Provident Fund, set out below is a report on the performance and activities of your Scheme for the year ended 31 March 2018. 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 National Scheme is a defined contribution scheme. The benefits payable by your Scheme are guaranteed by the Crown.

LOCKED-IN SECTION

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

INVESTMENT PERFORMANCE

The asset class returns (before tax and expenses) and the comparative performance of the benchmark indices are shown in the table below.

	Return	Index
Fixed interest	5.9%	3.2%
New Zealand shares	15.5%	16.9%
Overseas shares	13.1%	10.9%

The investment return (after tax and operating expenses) earned by the Scheme for the year ended 31 March 2018 was 6.69%.

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 2018

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 2018.

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 National Scheme

EARNINGS RATE

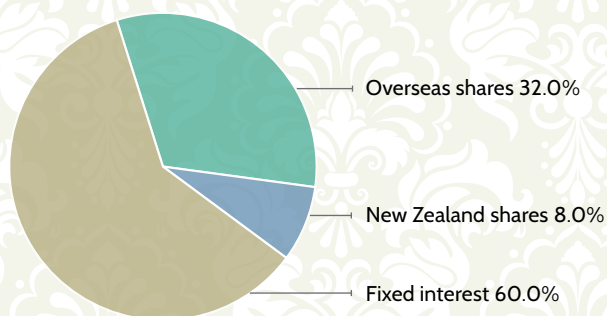
The earnings rate declared by the Board for the Scheme for the year ended 31 March 2018 was 6.32% on contributors' total credits as at 1 April 2017, and 2.53% on contributions paid during the year. In line with the Board's crediting and reserving policy, the difference between the investment return of 6.69% and the earnings rate of 6.32% credited to members' total credits as at 31 March 2018 has been added to the reserves of the Scheme. The reserves are now 8.6% of contributors' total credits (2017: 8.5%).

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

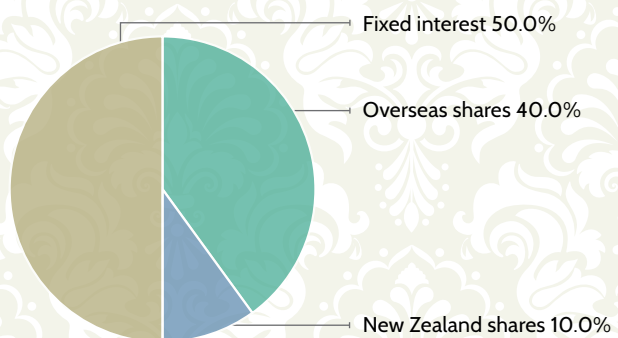
HOW YOUR MONEY IS INVESTED

The Scheme's asset allocation strategy is set by the Board and reviewed regularly. The asset allocation strategy for the Scheme was reviewed during the year. The pie charts show the Scheme's asset allocation strategy since 1 May 2014 and the new strategy effective from 1 May 2018.

Effective 1 May 2014



Effective 1 May 2018



There were no significant changes to the Board's Statement of Investment Policies, Standards and Procedures (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 National Scheme

SUMMARY STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2018

This is a summary of the Scheme's income and expenses, and membership contributions and payments. NPPS refers to the National Provident Pension Scheme.		
	2018 (\$'000)	2017 (\$'000)
Income		
Investment income	34,957	37,068
Operating expenses	(1,039)	(990)
Net income before tax and membership activities	33,918	36,078
Add income tax credit	273	252
Net income after tax and before membership activities	34,191	36,330
Scheme receipts		
Scheme receipts – Non Locked-in section:		
Member contributions	8,008	6,116
Employer contributions	2,814	2,943
Scheme receipts – Locked-in section:		
Member contributions	888	603
Employer contributions	279	255
Member tax credits	49	43
Total Scheme receipts	12,038	9,960
Scheme payments		
Benefit and transfer payments	(31,860)	(20,466)
Transfers to the NPPS	(23,218)	(18,974)
Net membership activities	(43,040)	(29,480)
(Decrease)/increase in liability for accrued benefits	(8,849)	6,850

SUMMARY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

This is a summary of the cash flows through the Scheme during the year. Cash was received from: • operating activities (being contributions less benefit and transfer payments and operating expenses); and • investing activities. The difference between the two cash flows is recorded as an increase or decrease in cash held.		
	2018 (\$'000)	2017 (\$'000)
Opening cash brought forward	3,366	4,183
Net cash flows from operating activities	(43,917)	(29,652)
Net cash flows from investing activities	43,926	28,835
Net increase/(decrease) in cash held	9	(817)
Closing cash carried forward	3,375	3,366

SUMMARY STATEMENT OF NET ASSETS AS AT 31 MARCH 2018

This is a summary of the Scheme's assets and liabilities, as at 31 March 2018. Assets include the Scheme's investments in fixed interest, New Zealand shares and overseas shares plus what the Scheme had in the bank and was owed by others. Liabilities are what the Scheme owed to others. Net assets is the money available to pay future entitlements.		
	2018 (\$'000)	2017 (\$'000)
Investment assets		
Fixed Interest Unit Fund	315,795	311,966
New Zealand Equity Unit Fund	41,091	42,565
Overseas Equity Unit Fund	163,328	174,721
Total investment assets	520,214	529,252
Other assets	3,806	3,912
Total assets	524,020	533,164
Less liabilities	(102)	(396)
Net assets available to pay benefits	523,918	532,768
Represented by:		
Liability for accrued benefits		
Allocated to contributors' total credits	482,263	490,836
Unallocated reserves	41,655	41,932
	523,918	532,768

Pension National Scheme

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

The summary financial statements:

- have been extracted from the full financial statements which were:
 - prepared in accordance with, and comply with, the New Zealand Equivalents to International Financial Reporting Standards;
 - authorised for issue by the Board on 21 June 2018; and
 - audited and received an unmodified opinion;
- cannot be expected to provide as complete an understanding as provided by the full financial statements;
- are reported in New Zealand dollars, rounded to the nearest thousand;
- are for a profit oriented entity; and
- comply with Financial Reporting Standard 43: Summary Financial Statements.

TRUSTEE'S REPORT

For the year ended 31 March 2018

MEMBERSHIP

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

	Contributors		Total
	Non Locked-in Section	Locked-in Section	
Opening membership as at 1 April 2017	2,789	142	2,931
Retirements	(240)	(7)	(247)
Withdrawals	(8)	-	(8)
Transfers	(86)	-	(86)
Deaths and disablements	(57)	(1)	(58)
Joins/rejoins	3	-	3
Extinguished liabilities*	133	-	133
Closing membership as at 31 March 2018	2,534	134	2,668

* 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.

CONTRIBUTIONS AND BENEFIT PAYMENTS

As at 31 March 2018, there were 2,668 members in the Scheme (2017: 2,931), with allocated contributors' total credits of \$482.26 million (2017: \$490.84 million). These numbers include the members of the Locked-in section.

For the Locked-in section, as at 31 March 2018 there were 134 members, of whom 33 were not contributing (2017: 142 and 28) with allocated contributors' total credits of \$11.48 million (2017: \$10.67 million). There were seven retirements from the Locked-in section and one member of the Locked-in section died during the year to 31 March 2018. The total value of assets withdrawn from the Locked-in section of the Scheme during the year was \$1,009,232. No members joined the Locked-in section of the Scheme during the year.

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

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

The Board, based on the advice of the Actuary, certifies that as at 31 March 2018 the market value of the net assets of the Scheme exceeded the total value of the vested benefits of the Scheme.

The Board confirms, to the best of its knowledge, not more than 10 percent of the market value of the assets of the Scheme at any time during the year was invested with employers (or associated entities), either directly or indirectly, who are parties to the Scheme.

FEES

Scheme administration fees are calculated on fee per member and fee per transaction bases and are charged to the Scheme as a whole. Effective 1 October 2017, the administration fees increased in line with inflation. The Board certifies it is satisfied the increase in the administration fees for the Scheme is not unreasonable. The Board is satisfied the total management fees charged to the Scheme are not unreasonable.

TRUST DEED AMENDMENTS

The Scheme trust deed has not been amended since the date of the last annual report, being 22 June 2017. A copy of the trust deed is available on our website - www.npf.co.nz.

INDEPENDENT AUDITOR'S REPORT

To the readers of Pension National Scheme's Summary Financial Statements for the year ended 31 March 2018

Opinion

The summary financial statements of the Pension National Scheme (the Scheme), that comprise the summary statement of net assets as at 31 March 2018, the summary statement of changes in net assets, and the summary statement of cash flows for the year ended on that date, and related notes, are derived from the full financial statements for the year ended 31 March 2018 that we have audited.

In our opinion, the summary financial statements are consistent, in all material respects, with the full financial statements for the year ended 31 March 2018, in accordance with FRS-43: Summary Financial Statements issued by the New Zealand Accounting Standards Board.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by generally accepted accounting practice in New Zealand. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the full financial statements and the auditor's report thereon.

The summary financial statements do not reflect the effects of events that occurred subsequent to the date of our auditor's report on the full financial statements.

The full financial statements and our audit report thereon

We expressed an unmodified audit opinion on the full financial statements for the year ended 31 March 2018 in our auditor's report dated 21 June 2018.

Board of Trustees' responsibility for the summary financial statements

The Board of Trustees is responsible on behalf of the Scheme for the preparation of the summary financial statements in accordance with FRS-43: Summary Financial Statements.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the full audited financial statements of the Scheme, based on our procedures, which were carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

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

Other than in our capacity as auditor, we have no relationship with, or interests in the Scheme.

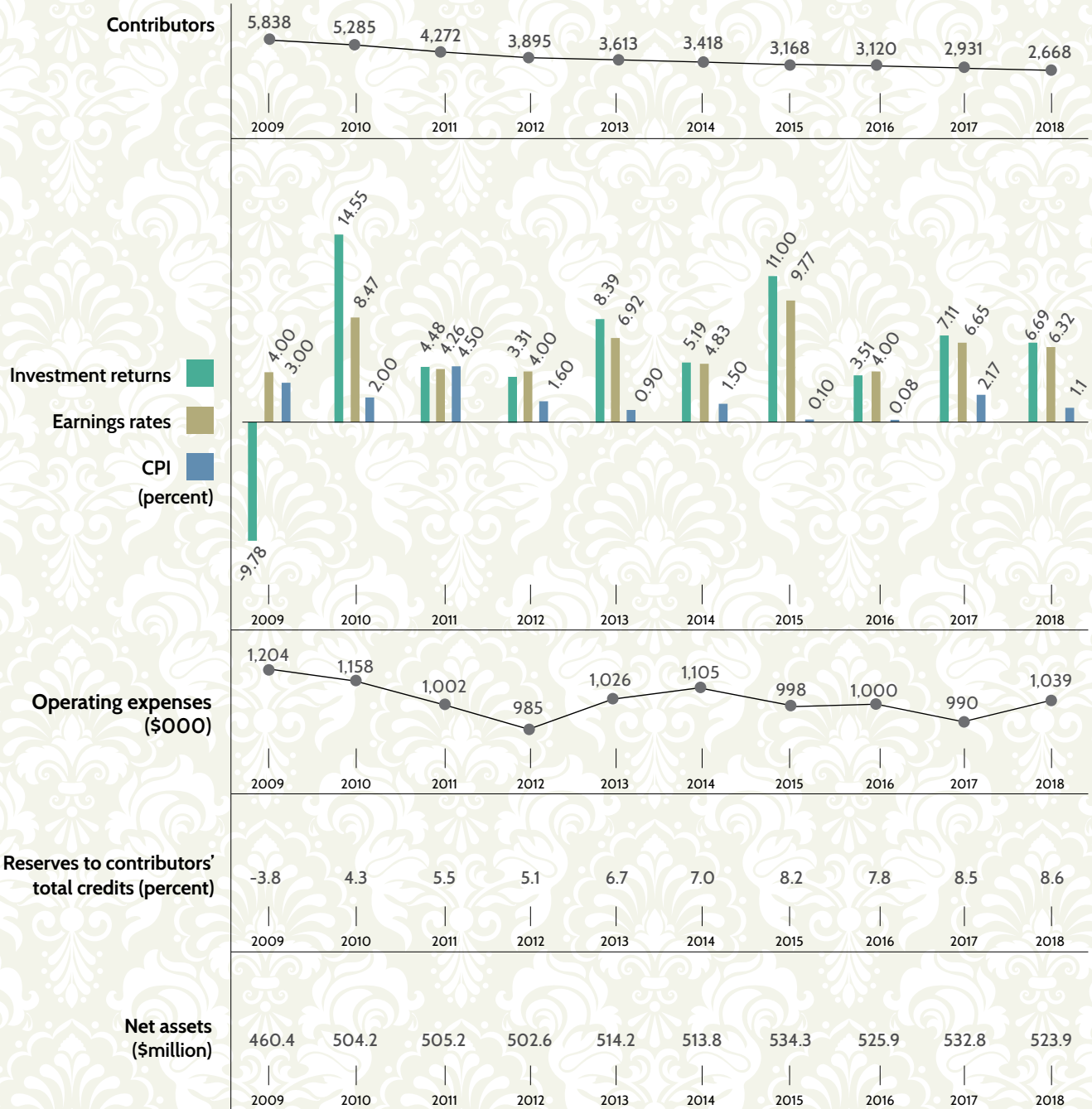


Michael Wilkes
for Deloitte Limited
On behalf of the Auditor-General
Christchurch, New Zealand

21 June 2018

Pension National Scheme

10 YEAR COMPARISON





Pension National Scheme

DIRECTORY as at 21 June 2018

BOARD MEMBERS

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

Catherine McDowell (appointed 2013 and Chair from 1 July 2016 to 31 August 2017)

Graeme Mitchell BA, CA, FCA (appointed 2010, Deputy Chair from 1 July 2016)

Daniel Mussett (appointed 2016)

Wayne Stechman (appointed 2012)

Stephen Ward (appointed 2016)

There was one change to the Board members during the year - Fiona Oliver, appointed 2011, retired from the Board effective 30 June 2017.

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

The former Chief Financial Officer, Euan Wright, retired on 30 June 2017. Fiona Morgan was appointed as Chief Financial Officer effective August 2017.

There were no changes to the Auditor, Actuary, Bank, Custodian or Solicitor 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:

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

Email: npfenquiries@datacom.co.nz

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

You may contact the Board by writing to:

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

Auditor: Michael Wilkes, Deloitte Limited, on behalf of the Auditor-General

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

Bank: Bank of New Zealand Limited

Custodian: JPMorgan Chase Bank, N.A.

Solicitor: DLA Piper New Zealand