



# New Zealand Harbours Superannuation Plan

**Chairman's Newsletter**

**December 2014**

The most recent meeting of Trustees was held on 13 November 2014. The purpose of this newsletter is to bring you up to date on some of the issues discussed by the Trustees.

## **Quarterly Investment Markets Overview**

Ten year bond rates in both NZ and the US ended the quarter at similar levels to those of the June quarter so there were no major movements in bond returns over the quarter. The global bond story continues to be one of interest rates either not rising or even falling when the expectation has been for a while that interest rates may rise.

Both the New Zealand and Australian share markets had a good quarter. Global markets had a more quiet quarter and in local currency terms rose by just 0.8%. A pause was in order with the market up 15.3% for a full 12 months. Emerging markets had a better quarter but still failed to out perform developed markets.

## **Plan Earning Rates**

The Trustees discussed the report from the Plan's Investment Consultant for the quarter to 30 September 2014. This showed that the Plan's overall investment return over the quarter was positive 2.4% (but slightly lower than the Plan's benchmark return).

The Plan had a softer result than expected but this was mainly due to the relatively poor performance of the NZ and Global shares asset sectors. Recently newly appointed managers are operating these sectors and an improved performance is expected going forward. The Plan still retains a strong performance per annum over the three and five year terms.

The allocated return for the quarter to 30 September 2014 was positive 2.3% for members subject to a 10.5% tax rate, positive 2.5% for members subject to a 17.5% tax rate and positive 2.5% for members subject to a 28% tax rate. With tax being payable when interest is allocated, all the benefits provided from the Plan are tax free.

## **Investment Managers Update**

The planned transfer from the Fisher Funds NZ direct property investment to the AMPCI Global Infrastructure Fund continues. More funds will be transferred over the next 12 months as the individual tranches of investments reach maturity. The final transfer is planned for September 2015.

The Trustees have some concerns regarding the performance of the Plan's Global Equities and Global Bond Managers, particularly the ANZ (PIMCO) International Bond product. They have asked the Plan's Investment Consultant to review the ANZ (PIMCO) product and report to the Trustees if it still remains appropriate for the Plan going forward.

## **Deferring Your Benefit**

The Trustees reviewed the current rules for members retaining their benefit amount in the Plan. They agreed that the current rules of allowing withdrawals of amounts of not less than \$5,000 at intervals no more frequent than three times per year should continue.

## **Financial Markets Conduct Act**

The Trustees discussed the impact of the Financial Markets Conduct Act (FMCA) on the Plan. The FMCA became law on 1 December 2014 and the Plan must transition to comply by 1 December 2016. Under the guidance of the Plan's Solicitor the Trustees have agreed to a transition plan which is scheduled to commence in the third quarter of 2015. Members will be advised of individual steps in the process as transition proceeds.

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## **KiwiSaver Scheme**

The Trustees also reviewed the viability of the New Zealand Harbours KiwiSaver Scheme. This was prompted by the increasing level of compliance costs and the slow growth in membership numbers and asset values. The Trustees also recognise that external retail KiwiSaver offerings have accumulated critical mass in terms of assets and member numbers and are, therefore, able to operate with more competitive fee structures. In addition the retail schemes are able to offer member investment choice options that are not available under the Plan.

In view of all this the Trustees agreed to recommend to the RMTU (the Plan's promoter) that our Scheme should be closed to new members. The Scheme (members and balances) would then be transferred to retail KiwiSaver scheme provider to be selected by the Trustees.

The Chairman subsequently met with the National Management Committee of the RMTU and discussed with it the reasons for recommending the closure of the Scheme to new members and the transfer of members and balances to another KiwiSaver scheme. The National Management Committee resolved to endorse and approve the Trustees recommendation.

Members can anticipate a communication from the Administration Manager by the end of December 2014 and they will also be kept advised of all developments as progress is made towards the transfer to a replacement scheme. This is expected to be completed by 31 July 2015 following the receipt of member tax credits from the IRD.

In the meantime existing contributions will continue to be made and received and income will accrue at the normal Plan earning rates.

Other than the transition to meet the requirements of the FMCA legislation there are no other changes proposed to the Superannuation Scheme.

David S Stevens  
Chairman of Trustees

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