



New Zealand Harbours Superannuation Plan

Chairman's Newsletter

July 2015

The most recent meeting of Trustees was held on 11 June 2015. 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

NZ Cash and Fixed Interest: There has been a lot of talk about the low returns from cash and this is clearly seen with the 0.9% return for the quarter and 3.6% return for the year. Comparing the results for New Zealand and Global Bonds we see similar results for the quarter. However global markets, with a return of 11.4%, are still outperforming NZ with a return of 9.4% over the year. Interestingly the results for New Zealand show the lower returns for corporate bonds illustrating how spreads have widened as corporate bonds have been partly sold off.

Equities: The Australian market has been lagging the New Zealand market for some time but the quarter saw a reversal in their fortunes - interestingly at the same time as comments on the problems within the economy have heightened. The 1 year numbers, ignoring the currency are similar. The global market results have slightly cooled with the US Dow Jones down 26 bps for the quarter. But the unhedged numbers show returns in excess of 20% showing the impact of the 13.6% fall in the New Zealand dollar against the US dollar. Commenting further on the New Zealand dollar; while the expectation is that it will fall further against the US dollar it has managed to do what it always seems to do after a reasonable fall namely go through a period of sustained but gradual recovery. With all the negative talk about the outlook for emerging market it was no surprise that they have done better than commentators expected achieving the same unhedged return as developed markets for the quarter.

General: At the time of writing and since the end of the quarter currency markets and international investment markets have been dominated by developments and events in the Chinese stock market and the conflict with Greece in the Euro Zone. Until these issues are resolved volatility in markets and returns generated will continue.

Plan Earning Rates

The Trustees discussed the report from the Plan's Investment Consultant for the quarter to 31 March 2015. This showed that the Plan's overall investment return over the quarter was positive 4.4% (higher than the Plan's benchmark return). Overall the Plan had a better than expected result for the quarter once again supported by a good performance from Global shares. The Plan continues its strong performance on a per annum basis over the three and five year periods.

The allocated return for the quarter to 31 March 2015 is calculated after the financial statements have been prepared. The calculated return was positive 3.4% for members subject to a 10.5% tax rate, positive 3.3% for members subject to a 17.5% tax rate and positive 3.1% 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.

Year-end processing

The financial statements have now been signed and filed with the Registrar. A copy for each scheme (the Superannuation Scheme and the KiwiSaver scheme) is available on the Plan's website. The Annual Report has been printed and will be distributed to each member with their annual member benefit statement over the next few weeks.

KiwiSaver Scheme

Members of the KiwiSaver Scheme were transferred to the AMP KiwiSaver Scheme on 26 June 2015. Account balances are being transferred in two tranches. An initial payment of approximately 90% of balances has been made with the final payment planned for mid-July 2015. The retained balances will continue to have the Plan earning rate applied until the date of actual transfer. This transfer exercise for the KiwiSaver Scheme members will not affect the Superannuation Scheme members.

Group life cover for over 65s

As noted in the previous newsletter the Trustees have asked the insurer for more details on the costs to the members for extending the age of cover. The insurer has not yet provided costs for the trustees to consider but members will be kept up to date with any developments.

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Chairman of Trustees

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