



# New Zealand Harbours Superannuation Plan

**Chairman's Newsletter**

**March 2010**

The most recent meeting of Trustees was held on 25 February 2010. The purpose of this newsletter is to bring you up to date on some of the issues discussed by the Trustees.

## **Investment performance**

The quarter ending 31 December 2010 was good for sharemarkets around the world. However, fixed interest returns remain at low levels and property markets have underperformed. Economic news was generally positive during the quarter with a suggestion that growth prospects for 2010 are improving. The key to this is the possibility of improving growth in the US, helped by stable employment and a rally in the US dollar. However, some market commentators are still of the view that any real economic recovery will be delayed until 2011. Overall, the returns achieved by the Plan for the year to date are ahead of returns in the last three years.

The Reserve Bank of New Zealand left the Official Cash Rate unchanged in December, noting that while the New Zealand economy continues to recover there is considerable uncertainty about how long this will be able to be maintained. While business confidence has improved, business spending remains weak and the New Zealand dollar remains high, limiting the contribution of exports.

## **Plan earning rates**

Based on the investment returns over the quarter to 31 December 2009, the Plan has allocated a return for that quarter of positive 2.7% for members subject to tax at 19.5% and has allocated a return of positive 2.6% for members subject to tax at 33%. The returns are after deduction of investment fees, expenses and tax.

Based on the monthly investment returns for January and a market view of the investment returns since that date, interim interest rates of negative 2.4% for members who are 19.5% taxpayers and negative 2.5% for members who are 33% taxpayers have been currently accepted by the Trustees. However, as interim interest rates are used only for the calculation of benefits for members who leave the Plan, the rates will be recalculated whenever there is a change in investment return.

Because tax is payable when interest is allocated, all the benefits provided from the Plan are tax free.

## **Benefit on Total and Permanent Disablement**

The Plan provides member benefits on leaving service, on retirement, on death and if there is an insurance cover in place, on permanent disablement.

In broad terms permanent disablement applies after six months absence from employment because of sickness or accident. To receive a benefit the Trustees have to be satisfied that the disablement prevents the member from ever working in any employment which suits the member given the member's education, training and experience. So the Trustees need to get a report from the employer and medical evidence, to ensure that the member has no real ability to be employed again.

While not occurring frequently, the benefit has been of real value to those members who have experienced significant sickness or accident.

## **Change of Trustee**

Peter Clemens retired as a Trustee at the conclusion of the meeting after 10 years active involvement with the Plan. Peter was an energetic Trustee who made a valuable contribution to the management of the Plan on behalf of its members. He is to be replaced by Wayne Butson who is currently the General Secretary of the Rail & Maritime Transport Union, a Trustee of the Locomotive Engineers' Trust Fund and the NZ Railways Staff Welfare Trust and a member of the Institute of Directors.

A gift of appreciation for his service was made to Peter on behalf of the Trustees and the Rail & Maritime Union.

David S Stevens  
Chairman of Trustees