



New Zealand Harbours Superannuation Plan

Chairman's Newsletter

November 2007

The most recent meeting of Trustees was held on 22 November 2007. The purpose of this newsletter is to bring you up to date on some of the issues discussed by the Trustees.

Investment performance

For the quarter ended 30 September 2007 the Plan achieved the top ranking results when compared to the performance of other funds in one of the industry surveys monitored by the Trustees. The Trustees were pleased to note that performance, particularly when compared to the results for the previous quarter. This shows the benefit of having a long term strategic view.

The results for the quarter ended 30 September 2007 showed both of the Plan's investment managers adding value despite significant volatility in the investment markets. Financial markets reacted to increasing global credit concerns. The New Zealand sharemarket ended with a 1.5% gain, the Australian sharemarket fared better with a rise of 5.9%, while overseas markets as a whole had a loss of 0.15% in New Zealand dollar terms. Fixed interest markets were more stable, with the New Zealand and international markets both being up 3.5%. However, New Zealand listed property was down by 5.5%.

The value of the New Zealand dollar fluctuated during the quarter, and ended down 2.2% and 6.2% respectively against the US dollar and the Australian dollar. The Reserve Bank of New Zealand increased the official cash rate to 8.25%, noting that inflationary pressures remain intense. Almost in spite of the fact that globally inflation pressures continued over the quarter, the outlook for global economic growth remains reasonably optimistic.

Plan earning rates

The returns over the quarter are the last that will be allocated on the old tax basis, as the PIE tax regime started on 1 October 2007. A set of management accounts is being prepared as at 30 September to determine an appropriate after tax interest rate for the quarter for allocation to member accounts. Until they are completed, the Trustees have agreed that an after-tax rate of 2.5% will be used to calculate benefits for that period for members who leave the Plan. The website will be updated when the interest is allocated.

The investment managers are suggesting positive returns for the quarter to 31 December 2007. Under the PIE regime, a before tax interim interest rate of positive 2.25% has been accepted by the Trustees as applying for the balance of the quarter. That interim interest rate is updated each month and is only used to calculate benefits for members who leave the Plan. The equivalent after tax rates are positive 1.98% for members who are 19.5% taxpayers, and positive 1.79% for members who are 33% taxpayers.

PIR Withholding Tax Form

As the PIE regime requires the Plan to have each member's IRD number and allows each member to elect a Prescribed Investor Rate (PIR), an advice letter and a PIR Withholding Tax Form were sent to each member with my August 2007 Chairman's Newsletter. Some members have not returned the completed form.

As the member IRD number is required to be held by the Plan in terms of the PIE legislation, a further copy of the form is provided **on the reverse of this newsletter**. If you have not already done so, please complete the form and return it to the Administration Manager.

Statutory requirements

The Trustees were advised that a revised Prospectus was registered on 10 October 2007. The Prospectus and the updated Investment Statement can be found on the Plan's website. Copies are also held by the Administration Manager and can be obtained on request.



KiwiSaver Scheme

A number of members have joined the New Zealand Harbours KiwiSaver Scheme and have made contributions to the Scheme. They have then been told by Inland Revenue that they have been allocated to a default scheme. The Plan Administrator has sent the correct KiwiSaver information to the Inland Revenue and has received advice that Inland Revenue has received the application forms and the contributions, but are having difficulties in processing the information correctly. On being asked, the Inland Revenue has stressed that the Plan Administrators advice will override any temporary allocation to a default scheme and that they "are aware that this is taking a little bit of time" to correct the problem. The Trustees have received assurances from the Plan Administrator that the processing of KiwiSaver Scheme information is proceeding normally and that the Inland Revenue issues are being resolved.

The Trustees would confirm that the New Zealand Harbours KiwiSaver Scheme is one of the lower cost KiwiSaver schemes with an investment profile well suited to the majority of Plan members.

Complaints

There are no outstanding complaints. I would remind members that a complaints procedure is available if a member has an outstanding issue that they consider has not been dealt with satisfactorily.

David S Stevens
Chairman of Trustees

PIR Withholding Tax Election Form

Member name: _____

Member number: _____

Prescribed Investor Rate (PIR):

Please tick your Prescribed Investor Rate: 33% or 19.5%

If neither option is selected then 33% applies.

Member IRD number:

Please sign and date this form below and either:

- fax it to 04 499 0488, or
- post it back to The Administration Manager
New Zealand Harbours Superannuation Plan
PO Box 3109
WELLINGTON 6140

Signed: _____

Date: _____