



New Zealand Harbours Superannuation Plan

31 July 2012

Partial asset sales of Government Enterprises

Earlier this month the Administrators of the Plan were contacted by a member who was anxious to encourage the Trustees to take up the share offerings that will arise when the Government starts its partial asset sales, as the member does not have any savings that he can use. The member was aware of the relationship between the Trustees and the Plan's investment managers, knowing that the Trustees did not see it as their role to influence the investment managers at the level of individual investment holdings.

But the member wanted to have his perspective recognised - the Plan holds his retirement savings and, since he is unable to take up any share offer directly, he was enquiring if the Plan could take the shareholding on his behalf. As Chairman of Trustees, I was advised of the member's concern.

I noted and appreciated the issue that the member raised. As I also suspect that other members may have similar thoughts, I would make the following comments:

In conjunction with the Plan's asset consultant, the Trustees set the overall investment policy and asset allocation strategy of the Plan. Having done that, the Trustees do not become involved with any of the actual investment processes, especially stock picking for which they have no professional expertise. It follows that the Plan cannot provide specific asset portfolios that are tailored for individual members.

The New Zealand investment market keenly awaits the proposed partial sale of state assets and the anticipated positive impact it should have. However, it is not expected that the trustees of any superannuation scheme will receive any allocation of shares or be able to take-up any potential allocation that may be available to the individual members of that scheme.

I am aware from regular discussions with various investment managers that they are keen to participate in the proposed new share issues. The New Zealand Harbours Plan may well participate and hold shares in the new companies as a result of those investment manager's decisions about the new issues. The extent to which the Plan will participate and continue to hold the shares will depend on the investment managers professional risk assessment of each individual company from time to time and over time.

It is worth noting that the companies that are to issue the shares for the partial sales are expected to be added into the NZ50 Capital Index, the index against which each of the Plan's investment managers' performance is measured. Mighty River Power, the first of the proposed sales, is expected to have a weighting of 3.5% of the index, while Meridian Energy (another likely sale) is expected to have a weighting of 6% of the index. The intended inclusion of these companies in the index is an added incentive for the Plan's investment managers to hold shares in the new companies.

David S Stevens
Chairman of Trustees

Secretary to the Trustees

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