



New Zealand Harbours Superannuation Plan

Chairman's Newsletter

March 2015

The most recent meeting of Trustees was held on 26 February 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

The December quarter again saw falls in NZ interest rates with the 10 year Government bond yield falling from 4.14% to 3.65% and 3 year rates down to 3.53% from 3.89%. The fall was to a large extent driven by global demand for the relatively high NZ rates. In a global world where most developed economies are still running Government deficits NZ stands out with its strong Government fiscal position. The position on global bonds paints a similar picture with 10 year German nominal yields down from 2.11% 12 months ago to 0.6%.

The NZ share market has continued to be one of the strongest performing markets over the last 12 months and the quarter saw another strong return. In contrast the Australian share market has continued to underperform with a return of 5.6% for the year. The commodity sector was clearly the biggest drag on the Australian share market. Global developed share markets were up 4.1% for the quarter on a hedged basis and Emerging share markets continue to be a challenge with a quarterly local currency return of 0.1%.

Plan Earning Rates

The Trustees discussed the report from the Plan's Investment Consultant for the quarter to 31 December 2014. This showed that the Plan's overall investment return over the quarter was positive 3.6% (higher than the Plan's benchmark return).

Overall the Plan had a better than expected result for the quarter 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 December 2014 was positive 3.1% for members subject to a 10.5% tax rate, positive 2.7% for members subject to a 17.5% tax rate and positive 2.7% 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 few months as the individual tranches of investments reach maturity. The final transfer is planned for September 2015.

The Trustees continue to monitor the performance of the Plan's Global Bond Managers. While they are satisfied with the ANZ (PIMCO) International Bond product they still have the Nikko Global Bond Fund on watch. Unless there is an improved performance by the end of 2015 the Trustees may consider a replacement manager.

The SIPO has been updated to recognise the current hedging position for International and Australian Equities. and to rename Tyndall as Nikko. The updated SIPO is available on the Plan's website.

KiwiSaver Scheme

Progress continues towards the transfer of the members of the KiwiSaver Scheme to a replacement scheme. A sub-committee of Trustees recently interviewed prospective providers and are expected to make a decision shortly. As soon as the decision is made the Trustees will advise members. KiwiSaver members will also receive information from the selected provider. This transfer exercise for the KiwiSaver Scheme members will not affect the Superannuation Scheme members.

Group life cover for over 65s

The Plan's current group life insurance policy ceases once members reach age 65. The Trustees were recently asked to consider extending the group life cover to include those members aged 65 and over. The Trustees have asked the insurer for more details on the costs to the members for extending the age of cover. Members will be kept up to date with any developments.

David S Stevens
Chairman of Trustees

Secretary to the Trustees

Level 1, Tramways Building, 1 Thorndon Quay, Wellington. PO Box 4197 Wellington. Telephone (04) 499-2066 Facsimile (04) 471-0896

Administration Manager

Level 5, Simpl House, 40 Mercer Street, Wellington. PO Box 11330 Wellington. Telephone (04) 499-0277 Facsimile (04) 499-0488