



New Zealand Harbours Superannuation Plan

Chairman's Newsletter

December 2010

The most recent meeting of Trustees was held on 25 November 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 saw sharemarkets rally strongly around the world, with index returns in excess of 10% for the USA and the UK, 8% for Australia and 7% for New Zealand. Bond markets were also good, with global returns averaging between 2.5% and 3.0%. The decision by the US to restart its easing policies (provide more money to the markets) has reduced the yields on US bonds. The weakness of some European countries is still of concern, in contrast to Asia where growth of more than 8% is anticipated in the next year.

The Reserve Bank of New Zealand has held the Official Cash Rate at 3.0% and is not expected to increase the rate until March 2011 at the earliest. There will not be a fast global recovery with the risk of a sharemarket downturn persisting, although New Zealand's nearness to Asia (including Australia) is positive.

Plan earning rates

The investment returns over the quarter to 30 September 2010 have allowed the Plan to allocate a return for the quarter of 6.3% for members subject to tax at 12.5%, 6.1% for members subject to tax at 21.0% and 6.0% for members subject to tax at 30%. Returns are after deduction of investment fees, expenses and tax.

Based on the monthly investment returns for October and a market view of the returns since that date, interim interest rates for the quarter to 31 December 2010 have been set by the Trustees at negative 0.9% for members who are 10.5% taxpayers, negative 1.0% for members who are 17.5% taxpayers and negative 1.0% for members who are 28% taxpayers. As the interim interest rates are used only for the calculation of benefits for members who leave the Plan, they are recalculated on any change in investment returns.

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

Investment strategy review

The Trustees are undertaking a full review of the current investment strategy of the Plan. The current strategy has proved to be successful during the past three years, a period that included the severe global financial crisis and its impact on investment markets.

However, the Trustees are concerned to ensure that the Plan's investment strategy going forward will meet the anticipated future challenges in the performance of investment markets. The objective of the strategy review is to reduce the investment risk with no material change in the level of future investment returns.

Members will be advised of any change to the investment strategy when the Trustees have made their final decisions. The overall objective will always be to act in the best interest of members.

Response to new legislation

New legislation has recently been enacted to ensure that savings arrangements such as the New Zealand Harbours Superannuation Scheme and the New Zealand Harbours KiwiSaver Scheme have a formalised complaint resolution process. Members will know that the Trustees had earlier established a complaints register and had advised members that it was available for them.

As required under legislation, the Plan has registered as a Financial Service Provider under the Financial Service Providers (Regulation and Disputes Resolution) Act and has elected to join the disputes resolution service offered by Financial Services Complaints Limited (FSCL). The linkage with FSCL will now provide members with a complaints process that is subject to Government oversight. The existing complaints process is being reviewed to ensure that it meets all statutory requirements and the website will be updated with any changes, for reference and use by members of the Plan.

David S Stevens
Chairman of Trustees