



New Zealand Harbours Superannuation Plan

Chairman's Newsletter

February 2005

The most recent meeting of Trustees was held on 17 February 2005. 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 ended 31 December 2004 was one in which global sharemarkets rose sharply, as a climax to a year of strong gains across all markets. Both international markets and the New Zealand market had gross index rises around 8% in the quarter. Most global bond markets performed well over the quarter as did the New Zealand bond market.

New Zealand economic data was mixed in the quarter, with retail sales and building consents slowing down against a background of even lower unemployment rates. Consumer confidence picked up, apparently linked to house prices not falling as expected.

The quarter saw the New Zealand dollar appreciate against the US dollar, reaching as much as 73 US cents but remaining largely unchanged against other major currencies.

Investment managers are suggesting investment returns on equities that might be as much as 10% over the next year while the fixed interest sector is likely to have lower returns. The international fixed interest market is also responding to the higher oil prices and the weaker productivity growth from the United States.

Interest rates Based on the returns over the quarter, a rate of interest of positive 3.0% was allocated to members' balances for the quarter ending 31 December 2004. The Trustees are pleased to record that in total 4.75% has been added to balances for the year to date – after investment fees and after tax.

As the investment managers project positive returns for the next quarter, the Trustees have approved an interim after tax rate of 1.25% for the balance of the quarter. That interim rate is used only to calculate benefits for members who leave the Plan.

Do you need the money It is important for members to be aware that their funds can be retained in the Plan on leaving employment, rather than being immediately withdrawn. If a member chooses to do this, the funds will continue to earn interest at the Plan earning rates. However, no death/disablement insurance cover is available and the normal administration charges will continue to be debited to the funds. Subsequently, a member may draw down their balance, in amounts of not less than \$5,000, so long as the remaining funds are at least \$5,000. When amounts are withdrawn they are not subject to income tax.

The option to leave funds in the Plan will give members time to make considered decisions on the use of their funds and also the opportunity to earn wholesale investment returns.

Insurance Option The Plan provides an insured death/disablement benefit while the member is in the employment of an Employer. Members do have the ability to reduce the level of their insurance and consequently lower the amount of premium charged. The annual form which allows members to change their elected contribution rate and death/disablement benefit cover has been modified this year, to provide each member with an indication of the lower premiums that will arise if the insured benefit is reduced.

Members are advised to carefully consider their financial and health circumstances and take advice if necessary, before deciding to reduce their insurance cover.

Statutory requirements A Refresher Certificate has been issued, to extend the life of the Plan's current Prospectus to 15 September 2005. The Prospectus and the Investment Statement are held by each employer and Union and the Administration Manager and copies can be obtained from them on request.

Complaints The Trustees were advised that there are no outstanding complaints. Members should be aware that a complaints procedure is available to them if there are outstanding issues that they do not consider have been dealt with satisfactorily.

David S Stevens
Chairman of Trustees