



New Zealand Harbours Superannuation Plan

Chairman's Newsletter

November 2005

The most recent meeting of Trustees was held on 24 November 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 30 September 2005 was one in which both overseas and New Zealand equity markets performed strongly. International markets ended some 8% higher, with particular strengths in Japan and Europe, while the New Zealand market had a rise of over 6%. The growth in those markets affected the fixed interest sector, with interest rates increasing in overseas markets as well in New Zealand. The resulting 10 year bond rates rose to 5.97% in New Zealand, 5.36% in Australia and 4.32% in the US.

The New Zealand Official Cash Rate was not changed during the quarter. Although a similar situation applied in Australia, the US Federal Reserve twice increased short term rates. However, the New Zealand rate was increased by 0.25% in November and is likely to be further increased before the end of the year

The quarter saw the New Zealand dollar fall against the US dollar, to a low of 67 cents in July before recovering to just over 69 US cents at the end of the quarter. There was an overall fall of 1% in the quarter.

Inflation and higher real interest rates remain the major risks for equity markets. Within New Zealand, interest rates will continue to be supported by low unemployment and the strong housing market. Internationally, higher oil prices, inflationary expectations and slowing global growth suggest that overseas interest rates will also trend upwards.

Plan earning rates

Based on the returns over the quarter, a rate of interest of positive 3.00% after investment fees and expenses was allocated to members' balances for the quarter ending 30 September 2005. A total return of 5.75% has thus been achieved in the first half of the Plan's financial year.

Although the investment managers project marginally positive returns for the next quarter, the present situation is that an interim after tax rate of negative 0.5% has been accepted by the Trustees as applying for the balance of the quarter. That interim rate is updated each month and is only used to calculate benefits for members who leave the Plan.

Benefits provided to members

More than \$5 million in benefit payments has been paid out to members of the Plan on leaving the service of their employer in the past year.

Those payments have been shared by 41 members, as follows:

- the 11 members who retired received an average payment of \$195,000,
- the 3 members who became disabled or left due to ill-health received an average payment of \$128,000,
- the 13 members who became retrenched received an average payment of \$173,000 each, and
- the 14 members who resigned from service received an average payment of \$42,000.

General information on the benefits available to a member of the Plan can be found from the Plan's website (<http://www.harbourssuper.org.nz>). Specific information about the balances and benefits available to an individual member is held on a secure part of the website, for which members have an access code.

Statutory requirements

The Trustees were advised that the Prospectus and the Investment Statement have been updated to comply with legislation. The current Prospectus and the Investment Statement are held by the Administration Manager and copies can be obtained 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