



New Zealand Harbours Superannuation Plan

Chairman's Newsletter

September 2008

The most recent meeting of Trustees was held on 4 September 2008. The purpose of this newsletter is to bring you up to date on some of the issues discussed by the Trustees.

Investment performance

During the quarter ending 30 June 2008, there was further evidence of the global economic slowdown. Sharemarkets weakened in June, largely wiping out the modest gains made in April and May, in response to rising oil prices and concerns about global economic growth and inflation. These concerns also impacted on fixed interest markets, with yields lowering slightly both in New Zealand and Overseas. House prices, which are seen as an indicator of the health of an economy, were depressed globally. In the USA prices are down some 15% since late 2006, in Australia home lending growth was at its lowest level in 17 years.

Markets remain volatile, primarily reflecting the problems of the sub-prime mortgage difficulties and the on-going credit crisis. Within New Zealand, fuel and food prices continue to increase and finance companies continue to stutter. As a consequence, the immediate outlook for investment returns is rather gloomy.

Plan earning rates

Based on the investment returns over the quarter ending 30 June 2008, a taxable rate of positive 1.4% and a non-taxable rate of negative 0.7%, each after investment fees and expenses, was allocated to member balances for the quarter. In total, these rates equate to a return of positive 0.4% for members subject to tax at 19.5% and a return of positive 0.2% for members subject to tax at 33%.

Using the monthly investment returns available at the meeting and the managers expectations for the balance of the quarter, a taxable interim interest rate of positive 1.2% and a non-taxable interim interest rate of negative 1.0% has been accepted by the Trustees as applying for the balance of the quarter. The equivalent after tax rates are negative 0.1% for members who are 19.5% taxpayers, and negative 0.2% for members who are 33% taxpayers. Those interim interest rates will be updated each month, used only for the calculation of benefits for members who leave the Plan.

However, since the Trustees meeting investment markets have been under constant stress. The difficulties experienced towards the end of September have concerned the Trustees as they expect the resulting Plan investment returns to be negative for the quarter.

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

Annual Report Update

The KiwiSaver Act allows you to elect, by notice in writing to the Trustees, to transfer part or all of your balances in the New Zealand Harbours Superannuation Scheme to the New Zealand Harbours KiwiSaver Scheme. It may be of relevance to your decision making to remember that transferred amounts will be subject to the KiwiSaver lock-in provisions. If you wish to make a transfer, you will need to make your election by 30 November 2008.

The Trustees have been advised that separate Financial Statements are required for the KiwiSaver Scheme and the Superannuation Scheme for the year ended 31 March 2008. When finalised, a summary of the KiwiSaver Scheme Financial Statements and some additional Annual Report information will be sent to all KiwiSaver Scheme members. It is intended that the separate Financial Statements and the additional Annual Report information will be placed onto the Plan website with the next update.

Member Investment Option

The Trustees have been considering the introduction of a conservative investment option to the Plan. Information on the option is being circulated with this newsletter. The Trustees would appreciate each member reviewing the information and providing a response, to enable them to consider the matter further and make appropriate decisions.

David S Stevens
Chairman of Trustees