

# ***BNZ KiwiSaver Scheme Annual Report 2014.***

*Helping you be good with money.*

*For the period 8 January 2013 to 31 March 2014*

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*For the period 8 January 2013 to 31 March 2014*

Welcome to the first Annual Report for the BNZ KiwiSaver Scheme ('Scheme'). As the Scheme was established in January 2013, this report covers the period from 8 January 2013 to 31 March 2014.

This report has been prepared for you by BNZ Investment Services Limited, the Manager of the BNZ KiwiSaver Scheme, in accordance with the annual report requirements of the KiwiSaver Act 2006 and KiwiSaver Regulations 2006.

This annual report contains:

- A summary of the financial statements for the period 8 January 2013 to 31 March 2014. These statements set out the assets and liabilities of the Scheme, changes in net assets available for benefits and cash flows.
- Key information about the Scheme, including changes that have taken place during the period covered by this report.

## **Description of the Scheme**

The following details relate to the BNZ KiwiSaver Scheme, as at 31 March 2014:

- The name of the Scheme is the BNZ KiwiSaver Scheme.
- The Manager of the Scheme is BNZ Investment Services Limited.
- The Trustee of the Scheme is The New Zealand Guardian Trust Company Limited.
- The Promoters of the Scheme are Bank of New Zealand ('BNZ') and its directors. As at 31 March 2014, its directors are: Cameron Anthony Clyne, Prudence Mary Flacks, Andrew Gregory Thorburn, Susan Carrel Macken, Douglas Alexander McKay, Stephen John Moir, Andrew John Pearce, Gavin Robin Slater, and John Anthony Waller.
- The Administration Managers of the Scheme are BNZ and MMC Limited.
- The Investment Manager of the Scheme is Russell Investment Group Limited.
- The Registrar of the Scheme is Trustees Executors Limited. The Custodian of the Scheme is BNZ Investment Services Nominees Limited. The Auditor of the Scheme is Ernst & Young.

## **Latest prospectus**

The most recent prospectus for the BNZ KiwiSaver Scheme was registered under the Securities Act 1978 on 1 July 2014.

It is also available at [bnz.co.nz/kiwisaver](http://bnz.co.nz/kiwisaver), together with the latest BNZ KiwiSaver Scheme Investment Statement.

## Key information

The Scheme was established by a trust deed dated 8 January 2013 (“Trust Deed”). The following key information (with the exception of investment performance) relates to the period 8 January 2013 to 31 March 2014.

### Investment performance

The Scheme first began accepting members on 11 February 2013 (which is also the date when investment activity commenced). The following information about investment performance relates to the period 11 February 2013 to 31 March 2014. We also show the performance of the investment funds for the year ending 31 March 2014.

Investment fund	Returns since inception 11 February 2013 to 31 March 2014	Returns for year ending 31 March 2014 1 April 2013 to 31 March 2014
Cash Fund	3.03%	3.29%
Conservative Fund	3.23%	3.89%
Moderate Fund	4.67%	5.51%
Balanced Fund	6.72%	7.93%
Growth Fund	9.24%	10.74%

The above returns are calculated on the change in the unit price of each investment fund over the period specified, adjusted for tax credits. Each member’s return will vary based on the unit price applicable to each contribution or withdrawal that is made and how long they have been invested for. The returns are calculated after deducting management fees (excluding the monthly member fee) and before deducting tax in accordance with the Income Tax Act 2007. Returns for the period since inception are annualised. Returns represent historical performance only and are not an indication or guarantee of future performance. The value of a fund may rise or fall depending on market conditions.

For up to date information about the investment performance of the Scheme’s funds, visit [bnz.co.nz/kiwisaver](http://bnz.co.nz/kiwisaver)

### Fees

The following table shows the total amount of fees and expenses that were charged directly to the Scheme during the period:

Fees and expenses charged	Total amount (\$000)
Administration fees (charged directly to members’ accounts)	580
Management fees	936
Expenses*	0
Trustee fees*	0
<b>Fees charged during the year</b>	<b>\$1,516</b>

\*The Manager paid all trustee fees and other expenses in relation to the Scheme from the management fees it received.

The net amount of fees and expenses that were charged indirectly to the Scheme during the period was zero, as the Manager paid those fees and expenses through rebates or other adjustments.

## **Membership information**

The following table shows the numerical changes in the membership of the Scheme during the period:

<b>Type of membership movement</b>	<b>Number of members</b>
Number of contributing members as at 8 January 2013	0
Total number of member entries during the period	28,532
Total temporary and permanent exits for the period	(826)
<b>Total number of contributing members as at 31 March 2014</b>	<b>27,706</b>
Number of members on section 104 contributions holidays as at 31 March 2014	565
Number of other non-contributing members (not on section 104 contributions holidays) as at 31 March 2014	11,283
<b>Total number of members as at 31 March 2014</b>	<b>39,554</b>

## **Member withdrawals**

The following table shows the number of members who made the following withdrawals from the Scheme, and the total amount of each withdrawal type, for the period:

<b>Withdrawal type</b>	<b>Number of members</b>	<b>Total amount (\$000)</b>
First/second chance home withdrawal	238	2,286
Significant financial hardship	159	485
Serious illness	8	59
Permanent emigration	0	0

## **Contributions**

The following table shows the number of members who were credited with each type of contribution, and the total amount of each contribution type, for the period:

<b>Contribution type</b>	<b>Number of members</b>	<b>Total amount (\$000)</b>
Member contributions	32,802	27,683
Employer contributions	24,296	15,015
Government kick-start contributions	12,712	12,712
Member tax credits	9,698	2,958
Transfers from other KiwiSaver and registered superannuation schemes	25,096	178,258
Transfers from Australian complying superannuation schemes	52	1,803

## **Member accumulations**

As at 31 March 2014 there were 39,554 members in the Scheme, with accumulations totalling \$237,654,000.

## **Australian complying superannuation scheme transfers**

During the period covered by this report, 52 members transferred in funds from Australian complying superannuation schemes totalling \$1,803,000.

## **Changes relating to the Scheme**

### **Scheme changes**

There were no changes to the Trust Deed, the terms of the offer of interests in the Scheme, or the investment objectives and policy for any of the funds of the Scheme, during the period covered by this report.

The following changes have occurred since 31 March 2014:

- The Scheme was appointed a default KiwiSaver scheme on 16 April 2014, with effect from 1 July 2014. The Trust Deed was amended on 1 July 2014 to incorporate the changes required as a result of the Scheme becoming a default KiwiSaver scheme.
- With effect from 1 July 2014, the management fee for the Conservative Fund was decreased from 0.70% per annum to 0.58% per annum of the average daily gross asset value of the fund.
- The target asset allocation for the Conservative Fund was changed on 1 July 2014 to:

New Zealand Cash	35%
New Zealand Fixed Income	10%
International Fixed Income	35%
New Zealand & Australian Shares	5%
International Shares	15%

The split between income assets (cash and fixed interest) and growth assets (shares) was unchanged. The investment objective, characteristics and recommended minimum investment timeframe of the Conservative Fund also remained unchanged.
- The monthly administration fee for all members decreased from \$2.00 to \$1.95 per member per month from 1 July 2014.

### **Changes to those involved in providing the Scheme**

During the period covered by this report, the **Manager** had the following director changes:

- Glenn Robert Patrick, resigned on 5 April 2013; and
- Richard Louis Morath, appointed on 1 July 2013.

Following the end of the period covered by this report, Nicolette Lisa Fowler and Renée Margaret Roberts resigned as directors of the Manager on 22 August 2014.

During the period covered by this report, the **Trustee** had the following director changes:

- John Richard Avery, resigned on 25 February 2013;
- Christopher Robert Darlow, resigned on 25 February 2013;
- Roger Andrew Davis, appointed on 25 February 2013 and resigned on 30 November 2013;
- Kerryn Mark Downey, appointed on 25 February 2013;
- David Roko Grbin, resigned on 25 February 2013;
- Michael Privett Reed, resigned on 25 February 2013;
- Timothy James Shaw, resigned on 25 February 2013;
- Richard Arthur Wilks, appointed on 25 February 2013;
- Shailendra Kumar Singh, appointed on 25 March 2013 and resigned on 31 March 2014;
- Catherine McDowell, appointed on 2 April 2013;
- John Atkin, resigned on 15 April 2013; and
- Geoff Vincent Lloyd, appointed on 23 January 2014.

Subsequent to the period covered by this report, in April 2014 the Trustee was acquired by Complectus Limited, which resulted in the resignations of Catherine McDowell, Geoff Vincent Lloyd, Kerryn Mark Downey and Richard Arthur Wilks on 7 April 2014. The following directors of the Trustee were appointed on 7 April 2014:

- Andrew Howard Barnes;
- James Earl Douglas; and
- Robin Albert Flannagan.

The Trustee's ultimate holding company is Bath Street Capital Limited, a company incorporated in New Zealand.

During the period covered by this report, the **Promoters** changed due to the following BNZ director change:

- Douglas Alexander McKay, appointed on 5 March 2013.

Since 31 March 2014, BNZ has had the following director changes:

- Anthony John Healy, appointed on 12 May 2014;
- Andrew Gregory Thorburn, resigned on 16 May 2014; and
- Cameron Anthony Clyne, resigned on 15 August 2014.

## ***Financial statements and Auditor's report***

The financial statements for the Scheme for the period 8 January 2013 to 31 March 2014 were registered under the Financial Reporting Act 1993 on 1 August 2014.

The Auditor's report on those financial statements is dated 21 July 2014. The Auditor's report does not refer to any fundamental uncertainty and is unqualified.

## Summary Statement of Changes in Net Assets Available for Benefits

15 month period ended 31 March 2014	(\$'000)
<b>Investment income</b>	
Interest income	195
Dividends and distribution income	4,623
Net gain/(loss) on financial instruments at fair value through profit or loss	3,843
<b>Net investment income</b>	<b>8,661</b>
<b>Expenses</b>	
Management fees	936
Management fee rebates	(490)
<b>Total expenses</b>	<b>446</b>
<b>Profit attributable to members</b>	<b>8,215</b>
<b>Membership activities</b>	
<b>Opening net assets Available for Benefits</b>	
<b>Contributions</b>	
Member contributions	27,683
Employer contributions	15,015
Crown contributions	12,712
Transfers in from other Schemes	180,061
Member tax credits	2,958
Switches in from other BNZ KiwiSaver Scheme Funds	3,872
<b>Total contributions in the Scheme</b>	<b>242,301</b>
<b>Benefits paid</b>	
Transfers out	(3,762)
Retirement	(525)
Death and disability	(128)
First home	(2,286)
Hardship	(485)
Switches within BNZ KiwiSaver Scheme Funds	(3,872)
Other permitted withdrawals	(529)
<b>Total benefits paid from the Scheme</b>	<b>(11,587)</b>
<b>Other member movements</b>	
Members' administration fee	(580)
Members' PIE tax	(695)
<b>Net benefits accrued to Members</b>	<b>237,654</b>
<b>Closing net assets Available for Benefits</b>	<b>237,654</b>
<b>Units on issue (Units in thousands)</b>	
<b>Balance at the beginning of the period</b>	-
Contributions – units	238,051
Withdrawals – units	(12,537)
<b>Balance at the end of the period</b>	<b>225,514</b>

## Summary Statement of Net Assets Available for Benefits

As at 31 March 2014	(\$000)
<b>Current assets</b>	
Cash and cash equivalents	2,945
Financial assets at fair value through profit or loss	233,387
Contributions receivable	2,307
Other receivables	5
Management fee rebate receivable	86
<b>Total assets</b>	<b>238,730</b>
<b>Current liabilities</b>	
Management fees payable	152
Redemptions payable	241
PIE Tax payable on behalf of Members	683
<b>Total liabilities (excluding net assets attributable to Members)</b>	<b>1,076</b>
<b>Net assets Available for Benefits</b>	<b>237,654</b>
<b>Represented by:</b>	
<b>Net assets attributable to Members</b>	<b>237,654</b>

## Summary Cash Flow Statement

15 month period ended 31 March 2014	(\$000)
<b>Cash flows to/from operating activities</b>	
Cash was provided from:	
Interest income	195
Cash was applied to:	
Purchase of financial instruments at fair value through profit or loss	(224,926)
Operating expenses	(380)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(225,111)</b>
<b>Cash flows from financing activities</b>	
Cash was provided from:	
Contributions	239,994
Cash was applied to:	
Benefits paid	(11,926)
Members' PIE tax	(12)
<b>Net cash inflow from financing activities</b>	<b>228,056</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,945</b>
Cash and cash equivalents at the beginning of the period	-
<b>Cash and cash equivalents at the end of the period</b>	<b>2,945</b>

## **Notes to the Summary Financial Statements**

These Summary Financial Statements are for the BNZ KiwiSaver Scheme (the ‘Scheme’) which comprises the following five funds (together the ‘Funds’ and individually the ‘Fund’):

- Cash Fund
- Conservative Fund
- Moderate Fund
- Balanced Fund
- Growth Fund

The Scheme was established and is governed by a Trust Deed between BNZ Investment Services Limited (the ‘Manager’) and the New Zealand Guardian Trust Company Limited, dated 8 January 2013. The Scheme was registered under the KiwiSaver Act 2006 on 16 January 2013. The Scheme began accepting Members on 11 February 2013.

The Summary Financial Statements are presented in New Zealand dollars which is the Scheme’s functional and presentation currency. All values are rounded to the nearest thousand dollars.

The Summary Financial Statements have been extracted from the audited Full Financial Statements for the 15 month period ended 31 March 2014 which were authorised for issue by the directors of the Manager on 21 July 2014 and audited by Ernst & Young who issued an unqualified opinion on 21 July 2014.

The Full Financial Statements from which these Summary Financial Statements have been extracted, have been prepared in accordance with the requirements of the Financial Reporting Act 1993, the Trust Deed, and generally accepted accounting practice in New Zealand (‘NZ GAAP’). The Full Financial Statements comply with New Zealand equivalents to International Financial Reporting Standards (‘NZ IFRS’), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The Full Financial Statements also comply with International Financial Reporting Standards (‘IFRS’). The principal accounting policies applied in the preparation of the Full Financial Statements are as set out in Note 2 of the Full Financial Statements for the period ended 31 March 2014.

The auditor’s report for these Full Financial Statements did not contain any explanatory paragraphs that highlighted matters that are regarded as relevant to a proper understanding of the basis of the opinion.

The Summary Financial Statements have been prepared in accordance with FRS 43: Summary Financial Statements subject to the Securities Regulations 2009.

The Summary Financial Statements do not include all the disclosures provided in the Full Financial Statements and cannot be expected to provide as complete an understanding as provided by the Full Financial Statements.

The Full Financial Statements and other documents of, or relating to the scheme, are filed on a public register at the Companies Office of the Ministry of Business Innovation and Employment and are available for public inspection (at <http://www.companies.govt.nz> under ‘Search other registers’).

A member has the right to receive, on request, a copy of the most recent Financial Statements, auditors report, an estimate of the members benefits, or a copy of the most recent registered prospectus relating to the Scheme. These can be obtained at no cost by contacting BNZ at 0800 275 269. The most recent Full Financial Statements are also available on [www.bnz.co.nz](http://www.bnz.co.nz).

The Summary Financial Statements have been authorised for issue by the directors of the Manager on 21 July 2014.

### **Related parties**

BNZ Investment Services Limited is the Manager and Issuer of the Scheme. The Manager is a wholly owned subsidiary of the Bank of New Zealand ('BNZ') incorporated in New Zealand, who in turn is wholly owned by National Australia Bank Limited, a licensed bank in Australia.

Management fees are a related party expense paid to the Manager and are shown in the Statement of Changes in Net Assets Available for Benefits under 'Management fees'. Where the Funds have invested into other funds, the management fees and other in-fund costs charged to those funds are rebated and are shown under 'Management fee rebates' in the Statement of Changes in Net Assets Available for Benefits. Management fee rebates are mainly settled by the allocation of additional units in the underlying investments. Management fees payable and management fee rebates receivable are shown in the Statement of Net Assets Available for Benefits.

The Manager incurs the ordinary administrative expenses of the Scheme which it pays from the management fee it receives from the Scheme. The Manager also incurs the costs in relation to the audit and trustee fees of the Scheme.

The New Zealand Guardian Trust Company Limited is the trustee of the Scheme.

Each Fund operates a bank account with the BNZ on normal commercial terms.

### **Investments held with related parties at balance date**

<b>As at 31 March 2014</b>	<b>(\$000)</b>
<b>The value of investments with related parties:</b>	
BNZ Cash PIE	<b>57,567</b>
BNZ Bank Account	<b>2,945</b>
<b>Total</b>	<b>60,512</b>
<hr/>	
<b>15 month period ended 31 March 2014</b>	<b>(\$000)</b>
<b>Income earned from investments with related parties was:</b>	
BNZ Cash PIE	<b>972</b>
BNZ Bank Account	<b>195</b>
<b>Total</b>	<b>1,167</b>

## **Fair Value**

All Funds primarily invest in unlisted unit trusts. The values of these underlying unit trusts are determined by the manager of the underlying unit trust and therefore these investments are classified as Level 2 in the fair value hierarchy as they include inputs other than quoted prices that are observable for the asset in active markets. The Manager believes that the Scheme could have redeemed their investments at the net asset value per unit recognised at the balance date.

## **Events occurring after the balance sheet date**

On 16 April 2014 the BNZ KiwiSaver scheme was appointed as a default KiwiSaver scheme with effect 1 July 2014. The Conservative Fund will become the default fund on this date.

## ***Other information you can obtain***

Copies of the Trust Deed, the most recent prospectus, the full financial statements and other documents of, or relating to, the Scheme are filed on a public register at the Companies Office. Most documents are available for public inspection free of charge on the Companies Office website at **business.govt.nz/companies**. Where these documents are not available on the website, a request for the documents can also be made by contacting the Companies Office Contact Centre on 0508 266 726. A fee may be payable if you request the documents from the Companies Office Contact Centre.

A copy of the following documents is available, on request and free of charge:

- the most recent full financial statements including the Auditor's report thereon;
- a written statement containing an estimate of your KiwiSaver benefits; and
- the most recent registered prospectus.

These may be obtained by calling us on 0800 269 5494 or you can email us at **kiwisaver.support.team@bnz.co.nz**

## Statement by the Manager

The Manager confirms that as at 31 March 2014:

1. All the benefits required to be paid from the Scheme in accordance with the terms of the Trust Deed and the KiwiSaver scheme rules have been paid.
2. The market value of the assets of the Scheme as at 31 March 2014 equalled or exceeded the total value of benefits that would have been payable had all members of the Scheme ceased to be members at that date and had provision been made for the continued payment of all benefits being paid to members and other beneficiaries as at 31 March 2014.
3. There is a scheme provider agreement between the Commissioner of Inland Revenue and the Manager that remained in force throughout the period covered by the annual report.
4. Contributions received in respect of each member, including contributions paid by way of the Commissioner of Inland Revenue in respect of that member, have been applied in accordance with the Trust Deed and the KiwiSaver Act 2006.

The Manager notes that during September and October 2013 there were delays in the processing of some members' contributions by way of transfer from other KiwiSaver schemes. The Manager has ensured that members were not disadvantaged by the delays.

Signed



Christopher Reid  
Director – Manager



Shelley Ruha  
Director – Manager

## Statement by the Trustee

In respect of the financial year ended 31 March 2014, the Trustee is satisfied that the Manager has not breached an issuer obligation (as defined in section 4(1) of the Securities Trustees and Statutory Supervisors Act 2011) in a material respect. The Trustee notes that the Manager has disclosed delays in processing some members contributions during September and October 2013. The Trustee is satisfied that no members were disadvantaged by the delays.

Signed



Harry Koprivic  
Senior Relationship Manager – Trustee

## ***Inquiries and complaints***

### ***Who to contact with inquiries***

If you have any inquiries about the Scheme, you can:

- Call us on 0800 269 5494
- Email us at **kiwisaver.support.team@bnz.co.nz**
- Speak to us at any BNZ store
- Contact your usual BNZ relationship manager
- Write to BNZ KiwiSaver Scheme Support Team, Level 4, 80 Queen Street, Auckland 1010

### ***How to make complaints***

If you have any complaints about the Scheme, you can speak to us at any BNZ store.

If the problem is still not resolved to your satisfaction, you should refer your complaint to BNZ Resolve:

- Call BNZ Resolve on 0800 788 999
- Write to BNZ Resolve, PO Box 995, Shortland Street, Auckland 1140

### ***Banking Ombudsman***

BNZ is a member of an independent dispute resolution scheme operated by the Banking Ombudsman. Under the terms of this scheme BNZ has three months to resolve your complaint. If, after this time, you're not satisfied with BNZ's response, you may refer this matter to the Banking Ombudsman:

- Call 0800 805 950
- Email [help@bankomb.org.nz](mailto:help@bankomb.org.nz)
- Write to Banking Ombudsman, FreePost 218002, PO Box 25327, Featherston Street, Wellington 6146
- Visit 5 Huddart Parker Building, 1 Post Office Square, Wellington 6011

### ***Trustee***

You can make complaints about the Manager to The New Zealand Guardian Trust Company Limited, the Trustee of the Scheme:

- Call 09 909 5100
- Write to The New Zealand Guardian Trust Company Limited , Level 15, 191 Queen Street, Auckland 1010

### ***Financial Markets Authority***

Complaints about the Manager may also be made to the Financial Markets Authority:

- Call 0800 434 566
- Write to Financial Markets Authority, PO Box 106672, Auckland 1143

## **Financial Services Complaints Limited**

To make a complaint about the Trustee, contact Financial Services Complaints Limited, the Trustee's dispute resolution scheme:

- > Call them on 0800 347 257
- > Email them at [info@fscl.org.nz](mailto:info@fscl.org.nz)
- > Write to Financial Services Complaints Limited, Floor 4, 101 Lambton Quay, PO Box 5967, Wellington 6145

## **Looking for more information?**

For more information about the Scheme, please refer to the current BNZ KiwiSaver Scheme Investment Statement, available at [bnz.co.nz/kiwisaver](http://bnz.co.nz/kiwisaver), or ask for a copy at any BNZ store.

Our website [bnz.co.nz/kiwisaver](http://bnz.co.nz/kiwisaver) is also packed full of information about the Scheme as well as tools to help you make the most of your Scheme account.

- > Call us on 0800 269 5494 (anytime between 8.30am and 5.30pm, Monday to Friday)
- > Visit [bnz.co.nz/kiwisaver](http://bnz.co.nz/kiwisaver)
- > Drop into any BNZ store

BNZ Investment Services Limited, a wholly owned subsidiary of BNZ, is the Issuer and Manager of the BNZ KiwiSaver Scheme. A copy of the BNZ KiwiSaver Scheme Investment Statement is available on [bnz.co.nz](http://bnz.co.nz). Investments made in the BNZ KiwiSaver Scheme do not represent deposits or other liabilities of BNZ or any other member of the National Australia Bank Limited group, and are subject to investment risk, including the possible loss of income and principal invested. None of BNZ, or any other member of the National Australia Bank Limited group, the Trustee, any director of any of them, the Crown or any other person guarantees (either fully or in part) the performance or returns of the BNZ KiwiSaver Scheme or the repayment of capital. National Australia Bank Limited, the ultimate parent of BNZ, is not a registered bank in New Zealand, but it is a licensed bank in Australia and is therefore subject to the supervision of the Australian Prudential Regulation Authority.



