

BNZ KiwiSaver Scheme Annual Report 2017



FOR THE PERIOD 1 APRIL 2016 TO 31 MARCH 2017

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Details of the Scheme

- › The name of the scheme is the BNZ KiwiSaver Scheme.*
- › The BNZ KiwiSaver Scheme is a registered KiwiSaver scheme under the Financial Markets Conduct Act 2013.
- › The Manager of the Scheme is BNZ Investment Services Limited.
- › The Supervisor of the Scheme is The New Zealand Guardian Trust Company Limited.
- › The latest Product Disclosure Statement is dated 3 May 2017 and is open for applications.
- › The latest Fund Updates for each of the funds in the Scheme are for the period ending 30 June 2017.
- › The latest financial statements and auditor's report that have been lodged with the registrar are for the year ended 31 March 2017. These were lodged on 19 July 2017.

*For the purpose of this report, the term 'BNZ KiwiSaver' and 'the Scheme' are abbreviations for the BNZ KiwiSaver Scheme and readers should view those terms interchangeably.



Paul Carter
Director, Retail & Marketing

Kia ora and welcome

It's been another big year for the BNZ KiwiSaver Scheme and I'm pleased to share with you some of the highlights from the last financial year up to 31 March 2017.

If you're new to BNZ KiwiSaver - a warm welcome to you. We're looking forward to helping you build wealth and reach your savings goals. At BNZ we're all about helping you be good with money, so you can do great things with it. When it comes to KiwiSaver, our mission is to help you reach your savings goals - whether that is to buy your first home or to enjoy a more comfortable retirement.

I'm proud to say that, earlier this year, BNZ topped the latest Consumer NZ KiwiSaver customer satisfaction survey. We were also named as the 2017 Consumer NZ People's Choice Award winner for KiwiSaver providers. Most of you, our customers, (87%) say you were satisfied or very satisfied with BNZ KiwiSaver. We also scored highly for customer service, fees, and ethical investing. Thank you for your vote of confidence.

A handwritten signature in black ink, appearing to read 'Paul', written in a cursive style.

Paul

This year we've adopted a policy to ensure that we don't invest your savings in companies involved in the manufacture of cluster munitions, anti-personnel mines, nuclear weapons and tobacco or tobacco products. As your KiwiSaver provider, it is important to us that we align our investment decisions with your beliefs and attitudes towards responsible investment.

Please take the time to read through our report and see how BNZ KiwiSaver has grown during the last year.

Among the highlights of the 2016-2017 financial year are that more than 29,000 members joined our Scheme. Our total funds under management grew by 45% to over a billion dollars. Our First Home Buyer Fund more than tripled its size from \$11 million to \$41 million. We also helped 1,648 members buy their first home using their BNZ KiwiSaver savings - that's 31 new home owners a week!

The 2017-2018 financial year is off to a promising start and I look forward to reporting more great progress in future updates.

Highlights and achievements of BNZ KiwiSaver

Celebrated BNZ KiwiSaver passing **\$1 billion** in savings and **100,000** members



\$1,163,562,000 invested (up **45%** from last year)

on behalf of **109,814** members (up **23%**)

\$10,596 average member balance (up **18%**)

\$41.5m invested in the BNZ KiwiSaver Scheme First Home Buyer Fund (up **254%**)

on behalf of **5,991** members



Won the Consumer NZ 2017 People's Choice Award for KiwiSaver providers



Launched Be Good With Money, a website that contains a library of useful articles to help our members make better financial decisions

Developed a responsible investment policy to ensure that we don't invest in companies involved in the manufacture of cluster munitions, anti-personnel mines, nuclear weapons and tobacco or tobacco products





Donna Nicolof
Head of Wealth & Private Bank

Check you're in the right fund
at bnz.co.nz/whatfund

How our funds performed

I'm delighted to report that all of the BNZ KiwiSaver funds generated positive returns for the year.

The year was characterised by an uncertain geopolitical environment, but this was accompanied by increased optimism in the global economic environment, which ultimately drove markets higher. Key events in the year included Brexit, in June 2016, when the UK public voted to exit the European Union, and the election of Donald Trump as President of the United States, in November 2016.

Both of these events took markets by surprise, and the BNZ KiwiSaver funds felt some impact. Following Brexit, we saw a sell-off in share markets, as investors flocked to safe haven assets such as cash and bonds. Share markets quickly rebounded, however, as it became clear that its effects would mainly be felt only in the UK, and any impact would be a fair way off. Similarly, share markets fell sharply on the news of Donald Trump's election victory, but quickly rebounded on expectations of a financial boost from his growth-oriented policies, and optimism for economic growth globally.

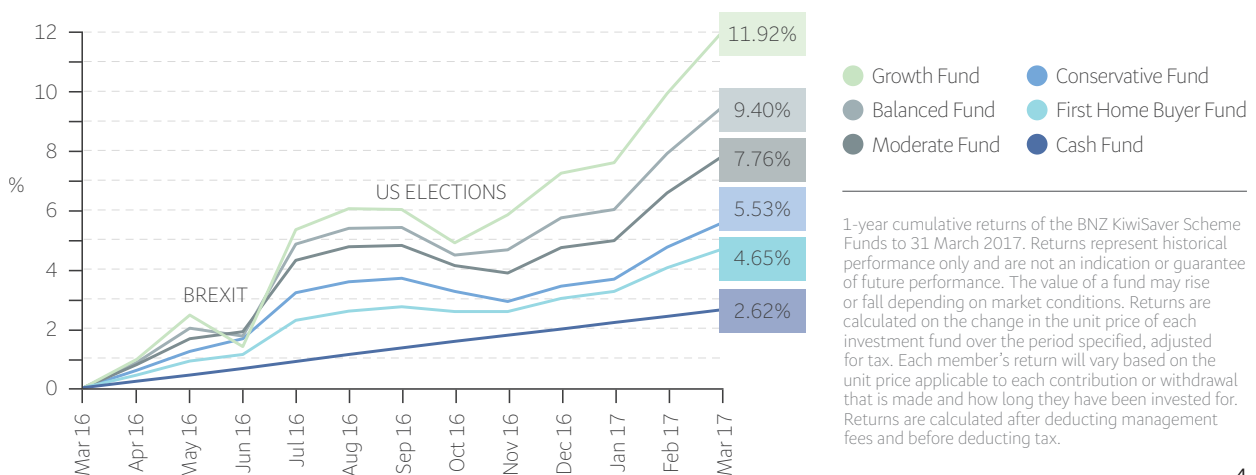
The graph below shows the cumulative performance of our funds over the year and how they responded to these events. The good news is that, while geopolitical events had an impact on markets during the year, investors who focused on the

underlying strength of the global economy enjoyed impressive returns. All our funds wrapped up the financial year in positive territory. As expected, all our funds have delivered returns that are consistent with what we would expect over the long term.

To this end, I'd like to take this opportunity to encourage you all to make sure you're invested in a fund that's right for your current circumstances and future aspirations. The decision is up to you, but if you're under 45 years old and you're not planning on buying your first home, you should consider investing in our Balanced or Growth Fund. To help you make a choice, use our 'What Kind of Investor am I?' tool at bnz.co.nz/whatfund

Finally, it's important to remember that KiwiSaver is a long-term investment and our funds are well-diversified. You should take comfort from the fact you are well positioned to ride out periods of volatility, such as those experienced following Brexit and the US election. And of course, our investment managers are always on the lookout to take advantage of any investment opportunities that market volatility creates.

Donna Nicolof
Donna



Information on contributions and Scheme participants



29,038

new members joined
BNZ KiwiSaver during
the year



14,446

of them switched
from another KiwiSaver
scheme

Membership changes

The table below shows the numerical changes in the membership of the Scheme during the year ended 31 March 2017.

	Number of members	Member accumulation (\$)
Contributing members	60,251	
Non-contributing members	28,813	
Membership at the beginning of the year	89,064	\$801,521,000
Plus		
New members	14,592	
Transfers from other schemes	14,446	
Total number of new members	29,038	
Less		
Retirement	285	
Transfers to other schemes	7,468	
Death	64	
Other exits	471	
Total number who ceased to be a member	8,288	
Contributing members	76,265	
Non-contributing members	33,549	
Membership at the end of the year	109,814	\$1,163,562,000

As at 31 March 2017, there were 109,814 BNZ KiwiSaver members, with accumulations totalling \$1,163,562,000.

Contributing more to BNZ KiwiSaver

Contributions from members and their employers increased by **17%** to over **\$199m**

Over **16,000** more members received a Government contribution (Member Tax Credit) than last year



More than 954,000 Fly Buys points were converted into over **\$170,000** worth of BNZ KiwiSaver contributions.

Fly Buys

Our average member balance increased by **18%** to **\$10,596**

Contributions

This table below shows the total amount of each type of contribution received by the Scheme during the year ended 31 March 2017 and the number of members credited with each type of contribution.

	Number of members	Total amount
Member contributions	78,575	\$110,493,000
Member voluntary additional contributions	17,536	\$18,486,000
Employer contributions	78,478	\$70,787,000
Crown contributions	70,014	\$27,917,000
Transfers from other KiwiSaver and registered superannuation schemes	14,239	\$166,935,000
Transfers from Australian superannuation schemes	207	\$6,759,000

Visit bnz.co.nz/mtc for tips on how to maximise the Government contribution

Changes relating to the Scheme

Governing Document

The Manager and the Supervisor amended the Trust Deed and the Establishment Deeds governing the BNZ KiwiSaver Scheme by replacing them with the Governing Document dated 19 August 2016, in order to comply with the requirements of the Financial Markets Conduct Act 2013 (**FMCA**), the KiwiSaver Act 2006 and all other relevant legislation. A number of other minor amendments were also made to the Trust Deed as a consequence of the introduction of the FMCA and the amendments to other legislation, to ensure more efficient operation of the BNZ KiwiSaver Scheme.

SIPO

The Statement of Investment Policy and Objectives (**SIPO**) for the BNZ KiwiSaver Scheme was updated on 19 December 2016, reflecting changes to the Manager’s approach to the hedging of international equity investments and changes to the funds’ target asset mixes and rebalancing ranges. The SIPO was updated again on 1 April 2017 to reflect changes to the market index for the international equity asset class.

All related party transactions entered into between 1 April 2016 to 31 March 2017 were on arm’s-length terms.



Other information for particular types of managed funds

 Over **\$28m** withdrawn to help 1,648 members get into their first home

 Over **\$3.9m** withdrawn by members who were experiencing significant financial hardship, to help them get back on their feet

 Over **\$7.7m** withdrawn for retirement

Withdrawals

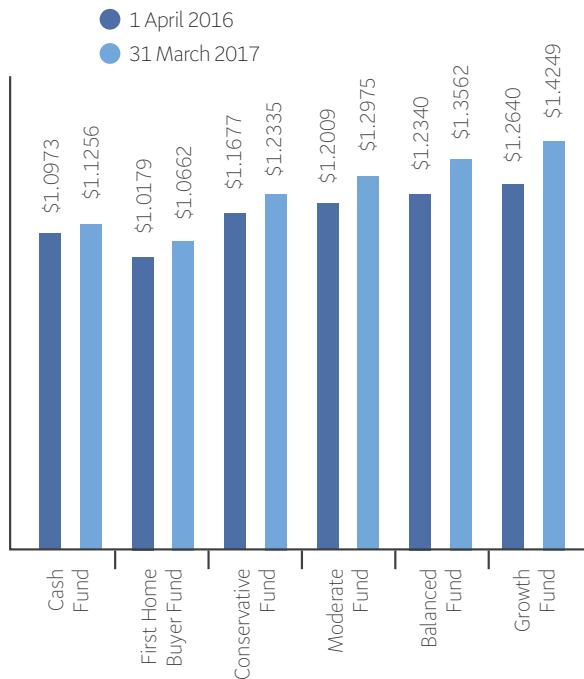
During the year ending 31 March 2017, the following withdrawals were made from the BNZ KiwiSaver Scheme.

	Number of members	Total amount
First/second chance home withdrawal	1,648	\$28,410,000
Significant financial hardship	754	\$3,963,000
Serious illness	68	\$1,030,000
Permanent emigration	54	\$651,000
Retirement	484	\$7,749,000
Death	64	\$700,000
Transfer to other KiwiSaver and registered superannuation schemes	7471	\$56,725,000
Transfer to Australian superannuation scheme	5	\$65,000
Other permissible withdrawals	356	\$492,000



Unit prices

This graph shows the unit price for each of the BNZ KiwiSaver funds on 1 April 2016, and at the end of the year on 31 March 2017.



Why is the unit price important?

Changes in the unit price represent changes in the value of your investment over time. Generally, when the unit price goes up, the value of your KiwiSaver account goes up and when the unit price goes down, the value of your KiwiSaver account goes down.

KiwiSaver at your fingertips



68% of our members are signed up to BNZ Internet Banking



3,778 of you successfully changed your fund choice in Internet Banking last year

With Internet Banking, you can view your BNZ KiwiSaver account balance and move money across from your other BNZ accounts. You can also change your fund choice and your prescribed investor rate (PIR) online.

Sign up to Internet Banking at www.bnz.co.nz

Forgot your access number or password?

› Call us on 0800 275 269



Statement by the Manager

The Manager confirms that as at 31 March 2017:

1. All the benefits required to be paid from the BNZ KiwiSaver Scheme in accordance with the terms of the Governing Document and the KiwiSaver scheme rules have been paid; and
2. The market value of the assets of the BNZ KiwiSaver Scheme equalled or exceeded the total value of benefits that would have been payable had all members of the BNZ KiwiSaver 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 2017.

Signed:



Shelley Ruha
Director - Manager



Christopher Reid
Director - Manager

Changes to persons involved in the Scheme

- › Jacqueline Maree Farman resigned as a director of the Manager on 23 February 2017.
 - › Timothy James Shaw resigned as a director of the Supervisor on 3 August 2016.
 - › Andrew Howard Barnes resigned as a director of the Supervisor on 4 April 2016.
- There were no other changes to persons involved in the Scheme during the period 1 April 2016 to 31 March 2017.

How to find further information

Information about the following is available on request and free of charge:

- › The governance of the Scheme, including the Governing Document and Statement of Investment Policy and Objectives.
- › The performance of the Scheme, including the financial statements and Fund Updates.
- › Key information an investor should be aware of before they become a member of BNZ KiwiSaver, including the Product Disclosure Statement and various other material information.

To view this information, feel free to go to the Disclose Register at companiesoffice.govt.nz/disclose (by clicking on 'Search offers' or 'Search schemes' and entering 'BNZ' in the 'issuer name or number' field). Or you can contact us using the contact information below.

Contact details and complaints

If you have any enquiries, we're always happy to help. To get an answer:

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

The Supervisor can be contacted using the details below. The securities registrar can be contacted by writing to MMC Limited, PO Box 106 039, Auckland City 1143, (09) 309 8926.

If you have a complaint, try us first

Speak to us in any BNZ store. If you feel that your issue has not been adequately addressed, please tell our resolution team.

- › **Ask** a BNZ Store Manager or the contact centre to pass your concerns on to BNZ Resolve.
- › **Call** us on 0800 788 999, Mon–Fri, 9am–5pm, or from overseas on +64 9 924 9241 (international toll charges apply).
- › **Write** to BNZ Resolve, PO Box 995, Shortland Street, Auckland 1140.

You can also try the Supervisor

Contact the Supervisor of the Scheme, The New Zealand Guardian Trust Company Limited.

- › **Call** 0800 87 87 82
- › **Email** ct-auckland@nzgt.co.nz
- › **Write** Attention The Manager, Corporate Trusts, The New Zealand Guardian Trust Limited, PO Box 274, Shortland Street, Auckland 1140

If we still can't help you

If we or the Supervisor can't help you with your complaint, you can get independent help from our dispute resolution scheme, free of charge.

Banking Ombudsman

- › **Call** 0800 805 950
- › **Email** help@bankomb.org.nz
- › **Write** to the Banking Ombudsman, Freepost 218002, PO Box 25327, Featherston Street, Wellington 6146, or
- › **Visit** 5 Huddart Parker Building, 1 Post Office Square, Wellington 6011.

Financial Markets Authority

You can lodge a complaint directly with the FMA.

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

Financial Services Complaints Limited

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

- › **Call** 0800 347 257
- › **Email** info@fscl.org.nz
- › **Write** to Financial Services Complaints Limited, Floor 4, 101 Lambton Quay, PO Box 5967, Wellington 6145.

There is no charge to have your complaint investigated and/or resolved by the Supervisor of the Scheme, the Banking Ombudsman, or Financial Services Complaints Limited.

BNZ Investment Services Limited, a wholly owned subsidiary of BNZ, is the Issuer and Manager of the BNZ KiwiSaver Scheme. Download a copy of the BNZ KiwiSaver Scheme Product Disclosure Statement at bnz.co.nz, or pick up a copy from a BNZ store. 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 possible delays in repayment and loss of income and principal invested. None of BNZ, any other member of the National Australia Bank Limited group, the Supervisor, 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. None of the matters in this publication are personalised financial advice. We recommend that you seek financial advice specific to your personal situation and goals from an Authorised Financial Adviser. BNZ Authorised Financial Advisers' Disclosure Statements are available on request and free of charge.