



New Zealand  
**DEFENCE  
FORCE**  
Te Ope Kātua O Aotearoa

# ANNUAL REPORT 2019

**DEFENCE FORCE  
SUPERANNUATION  
SCHEME**



**A FORCE FOR  
NEW ZEALAND**

**SECTION ONE** 4  
DETAILS OF SCHEME

---

**SECTION TWO** 5  
INFORMATION ON  
CONTRIBUTIONS AND  
SCHEME PARTICIPANTS

---

**SECTION THREE** 6  
CHANGES RELATING  
TO THE SCHEME

---

**SECTION FOUR** 6  
OTHER INFORMATION  
FOR PARTICULAR TYPES  
OF MANAGED FUNDS

---

**SECTION FIVE** 9  
CHANGES TO PERSONS  
INVOLVED IN THE SCHEME

---

**SECTION SIX** 9  
HOW TO FIND FURTHER  
INFORMATION

---

**SECTION SEVEN** 10  
CONTACT DETAILS  
AND COMPLAINTS

---

## SCHEME SNAPSHOT

AS AT 31 MARCH 2019

---



**3,251**  
members

---



**\$106,975**  
average member balance

---



**\$347,777,071**  
invested

---



**\$50,000**  
in rewards given out to members  
of three NZDF Savings Schemes  
during the year.

---



**114**  
home purchases

# MESSAGE FROM THE CHIEF OF DEFENCE FORCE

I am pleased to present the Defence Force Superannuation Scheme (“DFSS”) Annual Report for the year ended 31 March 2019.

## The Year in Review

We saw global and local share markets go up and down several times over the year. At times it felt like a roller-coaster. It was pleasing to see all investment options return positive results for another year. It is evident that while economic conditions around the world do not seem too bad, there are a number of areas that have the potential to disrupt this positive growth. Trade-tensions between US and China, ongoing Brexit discussions with no action and the record low interest rates both in New Zealand and around the globe are likely to keep investment returns reasonably subdued compared to previous years.

## First Home Buyers

During the year, the Scheme has assisted 114 members with buying their first (or second chance) home. Congratulations, it is a great achievement! For those of you considering getting on the property ladder, please reach out to the Milestone Direct team for help with finding the right home mortgage lender for you. The team have access to many providers and can do a lot of the ground work on your behalf. Also have a conversation with Mercer who manage the withdrawal applications about the process and things you need to have ready prior to applying.

## Investing Responsibly

Mercer who looks after your money, is committed to sustainable and ethical investment.

As one of the largest fund managers globally, Mercer strongly believes in engaging companies your money is invested in as it provides an opportunity to communicate the respective values of Mercer and the NZDF. This provides them with the opportunity to change their internal processes.

Mercer is one of a number of managers who have engaged social media companies to ensure they take more responsibility in their duty of care to prevent harm to users and society. You can read more information about Mercer’s Responsible Investment policy on the website [www.nzdf.superfacts.co.nz](http://www.nzdf.superfacts.co.nz).

## Thank you

I would like to thank those who participated in the retirement preparedness campaign and survey which ran in May and June this year. It is important for all of us, regardless of our age, to think about what sort of retirement we wish to have and how prepared we are. Your answers help us take further action which supports you with your investment and savings efforts.

NZDF’s financial capability programme, is part of the Force Financial Hub and it provides NZDF members and their families with the tools to make the best financial decisions.

I would like to also thank the key service providers who support our members.



**Air Marshal Kevin Short**  
Chief of Defence Force

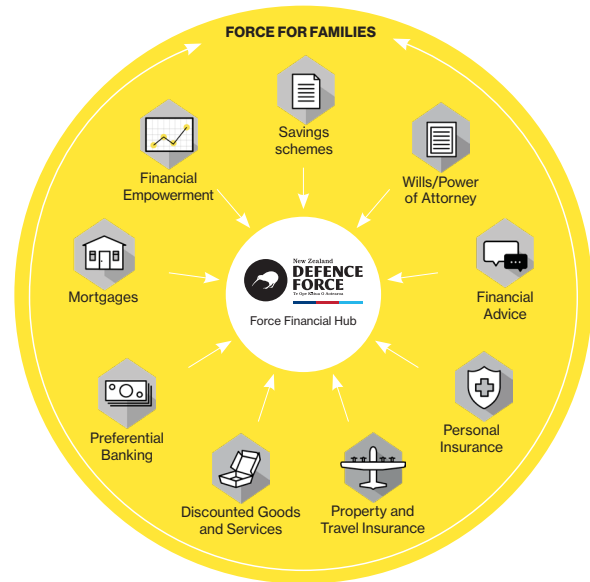


## NZDF LOOKING AFTER YOUR FINANCIAL WELLBEING

This annual report covers the Defence Force Superannuation Scheme, one of three NZDF Savings Schemes. As a member of the Defence Community you can join the New Zealand Defence Force KiwiSaver Scheme and / or the New Zealand Defence Force FlexiSaver Scheme. The Defence Force Superannuation Scheme is closed to new entrants.

All three savings schemes are managed by Mercer, who administers these schemes, manages your investments and looks after the schemes' online portal [www.nzdf.superfacts.co.nz](http://www.nzdf.superfacts.co.nz) where you can check your personal information.

All NZDF Savings Schemes are part of the Force Financial Hub which has been set up so you can easily access all of the Defence Force's financial benefits in one place. As a member of the NZDF you are able to access products, benefits, services and tools through the Force Financial Hub.



The NZDF is committed to supporting your family to become financially secure.

## FURTHER INFORMATION

There are lots of useful sources of further information to help you plan for your future and save for retirement. Here is a list of some places you may want to check out.

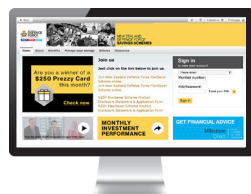
### Force Financial Hub

It is a great source of information to help you and your family get sorted financially. [www.nzdf.mil.nz/families/financial-hub/](http://www.nzdf.mil.nz/families/financial-hub/) or Google the Force Financial Hub.



### The scheme's online portal

contains a lot of information to help you make the most of your scheme membership. This information includes useful articles and reports along with all the scheme documents and forms you may need from time to time. You can also use the portal to sign in to your personal account and view information about your savings. To access the portal, go to [www.nzdf.superfacts.co.nz](http://www.nzdf.superfacts.co.nz).



### The Retirement Income Simulator

is provided to plan for your retirement and keep your plan on track. Sign in to your personal account at [www.nzdf.superfacts.co.nz](http://www.nzdf.superfacts.co.nz) to check out this tool.

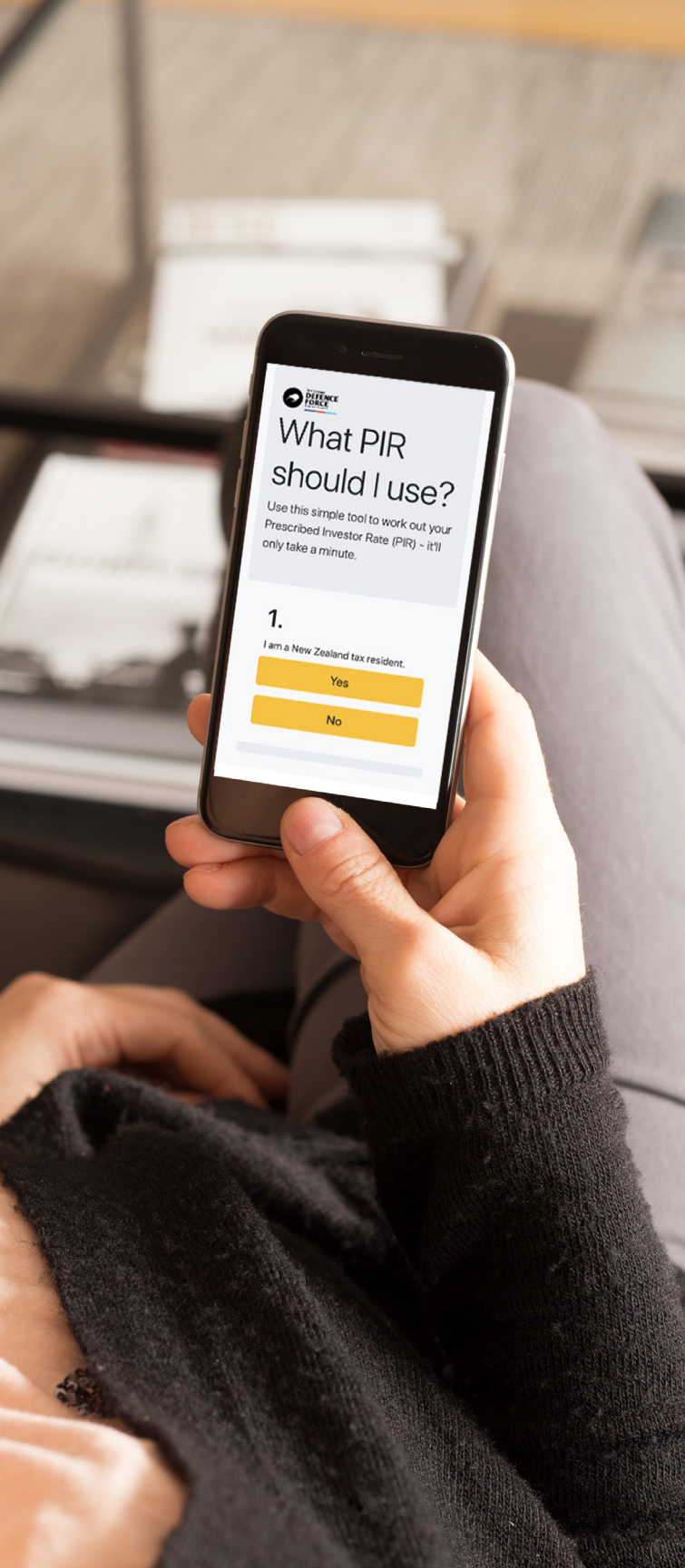


### Financial Advice from Milestone Direct

As a member of the Defence community you can get general advice about the Defence Force Superannuation Scheme and other NZDF investments, at no cost to you. If you need more detailed advice, an authorised financial adviser can provide you with more personalised advice and recommendations tailored to your individual situation on matters such as financial planning for your retirement. To access the Milestone Direct website go to [nzdf.milestonedirect.co.nz](http://nzdf.milestonedirect.co.nz).







**Technology  
to help you  
get sorted.**

## **SECTION 1:**

# **DETAILS OF SCHEME**

**Name of the scheme:**

Defence Force Superannuation Scheme

**Type of scheme:** Legacy Superannuation Scheme

**Manager:** Mercer (N.Z.) Limited

**Supervisor:** Trustees Executors Limited

**Status of the Scheme:**

The Scheme is closed to new members.

**The Scheme fund updates:**

A fund update for each of the seven investment funds for the year ended 31 March 2019 was made publically available on 28 June 2019.

**Financial statements and auditors' report:**

The latest full financial statements for the scheme that comply with, and have been registered under, the Financial Markets Conduct Act 2013 cover the financial year 1 April 2018 to 31 March 2019 and were authorised for issue by the manager, Mercer (N.Z.) Limited, on 26 July 2019.

The auditor's report on those financial statements was dated 29 July 2019. The auditors' report did not refer to any fundamental uncertainty, nor was it qualified or modified in any respect.

## SECTION 2:

# INFORMATION ON CONTRIBUTIONS AND SCHEME PARTICIPANTS

All of the membership and other information in this section is shown for the year ended 31 March 2019.

At 1 April 2018, the total amount of members' accumulation relating to 3,448 members was \$342,002,860.

At 31 March 2019, the total amount of members' accumulation relating to 3,251 members was \$347,777,071.

MEMBERSHIP DETAILS	CONTRIBUTING MEMBERS	NON-CONTRIBUTING MEMBERS	TOTAL NUMBER OF MEMBERS
Number of members at 1 April 2018	2,526	922	3,448
Plus			
New members			0
Transfers from other schemes			0
<b>Total new members</b>			<b>0</b>
Less			
Retirement			12
Death			1
Transfers to other schemes			75
Other reasons			109
<b>Total exits</b>			<b>197</b>
Number of members at 31 March 2019	2,314	937	3,251

## CONTRIBUTIONS

Contributions are what helps you grow your retirement savings. Contributions to your account can come from you, NZDF and the Government (if applicable).

### CONTRIBUTIONS RECEIVED DURING THE YEAR ENDED 31 MARCH 2019

TYPE	NUMBER OF MEMBERS	TOTAL AMOUNT
Member contributions	2,530	\$12,233,424
Member voluntary additional contributions	65	\$465,163
Employer or other sponsor contributions		\$15,874,006
Employer contributions	2,529	\$15,500,560
Government contributions	736	\$373,446
<b>Total contributions</b>		<b>\$28,572,592</b>

## SECTION 3:

# CHANGES RELATING TO THE SCHEME

### Trust Deed

There were no amendments to the Trust Deed during the year.

### Terms of Offer of Interests in the Scheme

There have been no changes to the terms of offer of interests in the scheme during the year.

### Related Party Transactions

There were no changes to the nature or scale of the related party transactions. All related party transactions were conducted on normal commercial terms and conditions during the accounting period and were on arm's-length terms.

### The Statement of Investment Policy and Objectives of the Scheme

Changes were made to the Statement of Investment Policy and Objectives (SIPO), which included:

- an update to indices for natural resources, unlisted infrastructure and unlisted property;
- amended benchmark asset allocation for overseas shares and overseas share low volatility;
- updates to the target net real rates of return objectives and addition of gross real rates of return objectives.

## SECTION 4:

# OTHER INFORMATION FOR PARTICULAR TYPES OF MANAGED FUNDS

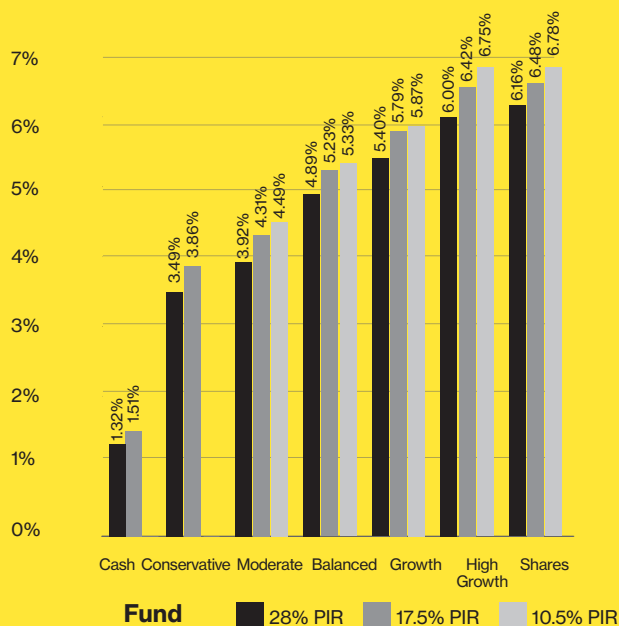
### Explaining Returns

The investment returns for each investment option provided by the scheme are shown after all investment fees and taxes have been deducted.

There are three sets of investment returns shown for each option for the year covered in this report. This is because different tax rates apply and the one applicable to your returns depends on the tax rate being applied to you.

Please go online to [purl.co.nz/pir\\_nzdf](http://purl.co.nz/pir_nzdf) and check that you have the correct tax rate selected for your savings. Some options for some PIR's did not have funds invested for the full period.

### One year returns as at 31 March 2019 (after tax and fees)



You can find up to date performance information by visiting [www.nzdf.superfacts.co.nz](http://www.nzdf.superfacts.co.nz).

## How your investment earnings are worked out

Contributions made to the Defence Force Superannuation Scheme are used to purchase what are known as 'units' in your chosen investment option(s). The number of units that your money purchases depends on the unit price at the time of purchase. For example, if \$1,000 is contributed and the unit price is \$1.00 at that time, then 1,000 units would be purchased on your behalf.

Unit prices are calculated daily and fluctuate according to the investment performance of each investment option. The value of your investment at any time is simply the number of units you own multiplied by their price at that time.

Your latest member annual statement shows how many units you have, their price and your savings balance. You can also view unit prices by signing into your account at [www.nzdf.superfacts.co.nz](http://www.nzdf.superfacts.co.nz) at any time.

### UNIT PRICES

FUNDS	1 APRIL 2018*			31 MARCH 2019		
	28% PIR	17.5% PIR	10.5% PIR	28% PIR	17.5% PIR	10.5% PIR
Shares	1.2661	1.2925	1.2625	1.3440	1.3763	1.3481
High Growth	1.2340	1.2500	1.3418	1.3080	1.3302	1.4324
Growth	1.1934	1.2063	1.1389	1.2579	1.2762	1.2058
Balanced	1.1696	1.1841	1.1920	1.2268	1.2460	1.2556
Moderate	1.1183	1.1211	1.0698	1.1621	1.1694	1.1178
Conservative	1.0916	1.1045	1.0673	1.1297	1.1471	1.1053
Cash	1.0360	1.0414	0.000	1.0496	1.0571	0.0000**

\* Opening price as at 1 April 2018 is the closing price on 31 March 2018.

\*\*The Cash option did not have any members at 31 March 2019, at 10.5% PIR.

#### Need help?

Milestone Direct advisers can help you choose the right investment option for your circumstances, plan your retirement, and ensure you are on track to achieve your goals. Please contact Milestone Direct on **0508 MILESTONE (0508 645 378)** or email them at [info@milestonedirect.co.nz](mailto:info@milestonedirect.co.nz).

Milestone  
Direct

LIFE IS  
A JOURNEY.  
GET GOOD  
DIRECTIONS



## WITHDRAWALS

Generally, Category A and C members' savings are locked in until you leave the NZDF (including from regular force to the reserves), when you can then access your savings or keep them in the Scheme. Upon leaving the regular force, Category B members' funds must remain in the complying section of the Scheme or can be transferred to a KiwiSaver scheme. There are some circumstances where members of all categories can withdraw their money sooner. These are:



### Purchase of a first home

You may be able to withdraw some of your savings to put towards buying your first home. You may also be able to purchase a home if you owned a property before.



### Significant financial hardship

You may be allowed to make a withdrawal from your account if the supervisor is satisfied that you are or are likely to suffer financial hardship.



### Serious illness

If you are suffering a serious injury, illness or disability, you may be able to make a withdrawal from your account.

**Please note that there are a number of conditions that apply to each of the types of withdrawals discussed above.**

### FULL WITHDRAWALS MADE DURING THE YEAR ENDED 31 MARCH 2019

TYPE	NUMBER OF MEMBERS
Leaving service / resignation	102
Death	1
Transfers to other KiwiSaver schemes	75
Permanent emigration	4
Retirement	12
Total and Permanent Disablement	1
Serious Illness	2
<b>Total withdrawals</b>	<b>197</b>

### PARTIAL WITHDRAWALS MADE DURING THE YEAR ENDED 31 MARCH 2019

TYPE	NUMBER OF MEMBERS
Partial withdrawals	719
Financial hardship	14
First home withdrawal	114
Partial transfer to a KiwiSaver scheme	3
Matrimonial	3
Retirement	1
Serious Illness	2
<b>Total withdrawals</b>	<b>856</b>

### Additional complying superannuation fund disclosures for the Category B section of the Scheme as at 31 March 2019:

- the market value of the DFSS's assets subject to complying fund rules is \$57,027,787 relating to 1,489 members; and
- the value of withdrawals subject to complying fund rules totals \$6,017,033.

## MANAGER'S ANNUAL STATEMENT

**As the manager of the Defence Force Superannuation Scheme, we confirm that for the period ended 31 March 2019:**

- all the benefits required to be paid from the scheme in accordance with the terms of the governing document have been paid;
- the market value of the scheme property at 31 March 2019 equalled or exceeded the total value of the benefits that would have been payable had all members of the scheme ceased to be members at that date and, where necessary, had provision been made for the continued payment of all benefits being paid to members and other beneficiaries as at the close of the financial year.

Martin Lewington  
Mercer (N.Z.) Limited  
31 July 2019

## SUPERVISORS'S ANNUAL STATEMENT

**As the supervisor of the Defence Force Superannuation Scheme, we confirm that for the period ended 31 March 2019:**

- all contributions required to be made to the scheme were made in accordance with the terms of the governing documents.

Trustees Executors Limited  
31 July 2019

## SECTION 5:

### CHANGES TO PERSONS INVOLVED IN THE SCHEME

There were no changes to the manager, the supervisor, administration manager, investment manager, securities registrar, custodian or auditor of the Scheme.

There was no changes to the key personnel of the manager.

Changes to the directors of the manager during the year:

- Peter Cameron resigned as a Director 18 August 2018;
- David McKeown was appointed a Director on 17 August 2018.

There were changes to the directors of the supervisor during the year:

- Franceska Banga resigned as a Director on 5 April 2018;
- Matthew Sale was appointed as a Director on 17 May 2018;
- Robert Russell resigned as a Director on 17 May 2018;
- Andrew Scott-Howman resigned as a Director on 15 June 2018;
- Mark Darrow was appointed as a Director on 18 June 2018;
- Sarah Roberts was appointed as a Director on 16 July 2018;
- David Neidhart resigned as a Director on 28 February 2019.

## SECTION 6:

### HOW TO FIND FURTHER INFORMATION

Information relating to the Defence Force Superannuation Scheme, for the offer register and the scheme register can be found at [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz).

The scheme register includes the financial statements, the governing document and the statement of investment policy and objectives.

The offer register includes fund updates.

Information relating to the scheme, such as fund updates, the annual report and other useful information is available at [www.nzdf.superfacts.co.nz](http://www.nzdf.superfacts.co.nz).

You can also call the manager on 0800 333 787 to request this information. All the information can be obtained from the manager without charge.

## SECTION 7:

# CONTACT DETAILS AND COMPLAINTS

### Contact details for the Manager:

Mercer (N.Z.) Limited  
151 Queen Street  
PO Box 105591  
Auckland 1143  
Telephone: 0800 333 787

### Supervisor's contact details:

Trustees Executors Limited  
Level 7, 51 Shortland Street  
PO Box 4197  
Auckland 1140  
Telephone: 0800 809 962

### Inquiries and Privacy Officer's contact details:

Mercer (N.Z.) Limited  
Attn: Privacy Officer  
151 Queen Street  
PO Box 105591  
Auckland 1143  
Telephone: 0800 333 787

Please direct any complaints about your investment to Mercer at:

### Mercer (N.Z.) Limited

151 Queen Street  
PO Box 105591  
Auckland 1143  
Attn: Complaints Officer  
Telephone: 0800 333 787  
Email: NZDF@mercerc.com

If we are unable to resolve your complaint, you may choose to contact the supervisor at:

### Trustees Executors Limited

Level 7, 51 Shortland Street  
PO Box 4197  
Auckland 1140  
Attn: Client Manager  
Telephone: 09 308 7100

Mercer is a member of the Insurance and Financial

Services Ombudsman Scheme (IFSO) and the supervisor is a member of Financial Services Complaints Limited (FSCL), both of which are approved dispute resolution schemes. The IFSO and FSL will not charge a fee to any complainant to investigate or resolve a complaint.

If you make a complaint to us and the complaint cannot be resolved, then you may refer it to the IFSO, subject to certain conditions being met.

You can contact:

### IFSO

PO Box 10-845  
Wellington 6143  
0800 888 202

### FSCL

PO Box 5967  
Wellington 6140  
0800 347 257

## CONNECT

In order to make sure you have all the facts you can also:



Call us on 0800 333 787



Visit the Force Financial Hub website



Speak to New Zealand Defence Force



Speak to a financial adviser on  
0508 MILESTONE (0508 645 378)

### EMAIL

[nzdf@mercerc.com](mailto:nzdf@mercerc.com)

### POST

Defence Force Superannuation Scheme  
PO Box 1849, Wellington, 6140

Mercer (N.Z.) Limited is the manager of the Defence Force Superannuation Scheme and the issuer of this annual report. This annual report has been prepared by the Manager to meet its legislative obligations under the Financial Markets Conduct Regulations 2014. The information contained in this annual report is of a general nature only and does not take into account the personal objectives, financial situation or financial goals of individual members. Accordingly, before making any decisions, you should consider the information in light of your own objectives, financial situation and needs. It is also recommended that you obtain advice from an authorised financial adviser. You should be aware that the value of an investment in the Defence Force Superannuation Scheme may rise and fall from time to time. Neither Mercer, nor Trustees Executors Limited, New Zealand Defence Force, Milestone Direct Limited, MMC nor any member of the worldwide Marsh & McLennan Companies guarantees the investment performance, earnings or return of capital invested in any of the Defence Force Superannuation Scheme investment options. The investment returns shown in this annual report do not take into account the unique characteristics that apply to each member (such as timing of cashflow). As a result, the actual returns applying to a particular member are different from the investment returns shown. You should also remember that past performance should not be relied upon as an indicator of future performance.