



TE OPE KĀTUA O AOTEAROA  
**DEFENCE FORCE**

Defence Force Superannuation Scheme

# 2022

## ANNUAL REPORT



HEI MANA MŌ AOTEAROA  
A FORCE FOR NEW ZEALAND

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# Scheme snapshot

As at 31 March 2022



**2,750**  
members



**\$139,791**

average member balance



**\$384 million**

invested



**194**

Prezzy Card winners across our savings schemes



**42**

first home purchases

# Message from the Chief of Defence Force

The NZDF and Mercer are committed to delivering value to you. The year to 31 March 2022 ended on a challenging note for investment markets. This affected many managed funds including the Defence Force Superannuation Scheme (the Scheme). Performance in investment markets, especially during the last quarter, was impacted by market reaction to supply chain issues resulting from COVID-19, as well as concerns over removal of quantitative easing by the Central Banks, used to prop up economies during the worst periods of the pandemic, and rising inflation and interest rates. In February, markets also reacted to the Russian invasion of Ukraine.

The unprovoked Russian hostilities threw the spotlight on the Russian holdings held by the NZDF Savings Schemes. Even though the holdings involved were insignificant, my advisers from the NZDF quickly determined it was no longer appropriate for our schemes to continue with those investments. The Chief People Officer's (CPO's) team worked with Mercer (N.Z.) Limited, the Scheme's Manager, and I am pleased to report that Mercer has removed Russian holdings and implemented an exclusion on all Russian securities across its investment portfolios.

During the year, Mercer removed the administration fee recognising growing membership and made a reduction in fund charges, resulting from the removal of the underlying performance based fees and reduced general expenses. The Scheme's Supervisor, Trustees Executors Limited, also reduced its fees during the year.

The Scheme also helped first homeowners. The challenges faced by many aspirant first homeowners increased during the year for a variety of reasons. Nonetheless, this year saw 42 members of the Scheme use their funds to buy their first home.

In another initiative, it was decided to use the Reserve accounts for the Category A and C to top up members employer accounts over each of the next four years as well as to fund financial plans for eligible members. The first of the top up payments was made in August 2021. A financial plan is an essential tool for households, particularly for those nearing the end of their careers with the NZDF or contemplating retirement. Those eligible members who haven't already registered for the financial plan are encouraged to do so by contacting Become Wealth on 0508 232 663 or at hello@become.nz.

It is now almost seven years since the launch of the Force Financial Hub. The Force Financial Hub is here to help you build your financial capability and security and that of your household, encouraging use of the NZDF Savings Schemes and other benefits and tools.

Progress has been made to date, but there is more we can all do together. In recognition of this, CPO's portfolio has developed a framework to drive future financial wellbeing initiatives and identify gaps in the support currently provided to Defence households.



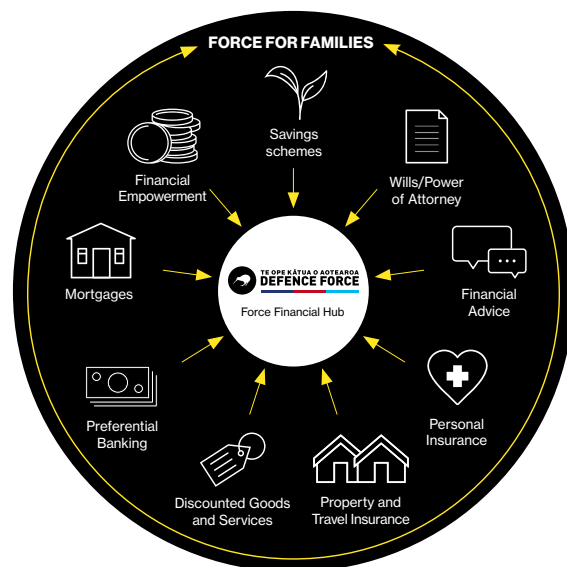
**K.R. Short**  
Air Marshal  
Chief of Defence Force

## 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.nzdfsavings.mil.nz](http://www.nzdfsavings.mil.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.



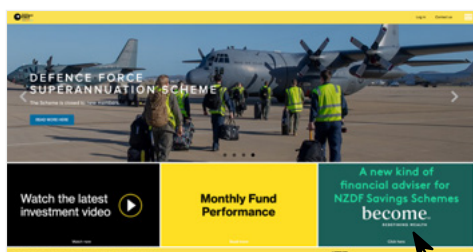
### Force Financial Hub

It is a great source of information to help you and your family get sorted financially [force4families.mil.nz/](http://force4families.mil.nz/) [force-financial-hub](http://force-financial-hub) or Google the Force Financial Hub.



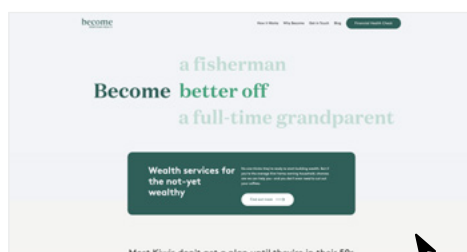
### The Retirement Income Simulator

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



### 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.nzdfsavings.mil.nz](http://www.nzdfsavings.mil.nz).



### Financial Advice from Become.nz

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 Become.nz website go to [www.become.nz](http://www.become.nz).



## What retirement lifestyle do you want?

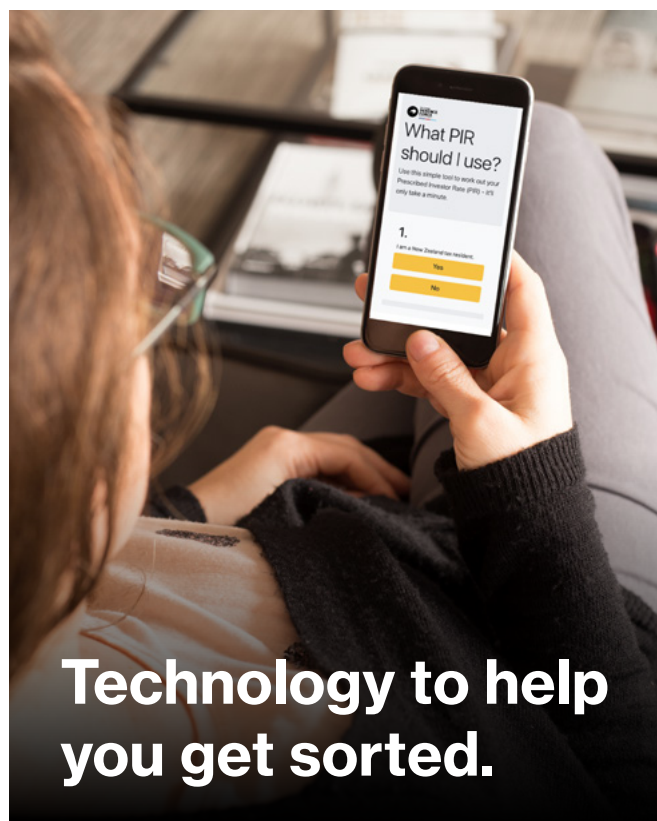
The gap between how much money retirees receive from NZ Super and how much they spend is growing. Many retirees today top up their NZ Super to maintain the lifestyle they want. The Retirement Expenditure Guidelines (as at 30 June 2021) found that most New Zealanders' aspire to and achieve a better standard of living in retirement than can be supported by NZ Superannuation. This report splits the level of expenditure into 'No Frills' and 'Choices'. The 'No Frills' guidelines offer a basic standard of living that includes few, if any, luxuries. The 'Choices' guidelines represent a more comfortable standard of living, which includes some luxuries or treats. It also takes into account and splits the expenditure depending on whether you are a city dweller, or are living in a rural location.

### Key findings in this report

The New Zealand Retirement Expenditure Guidelines as at 30 June 2021.

Weekly NZ Super Rates (after tax)*	One-person households		Two-person households	
	Metro	Provincial	Metro	Provincial
Weekly NZ Super Rates (after tax)*		\$462.94		\$712.22
Total Weekly Expenditure				
No Frills Budget	\$726.19	\$604.92	\$864.94	\$746.81
Choices Budget	\$1,028.89	\$1,116.23	\$1,470.26	\$1,176.14

\*Weekly superannuation rates have been updated to reflect the rates at 1 April 2022.



**Technology to help you get sorted.**

# 01

## 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 2022 was made publicly available on 30 June 2022.

### 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 2021 to 31 March 2022 and were authorised for issue by the manager, Mercer (N.Z.) Limited, on 26 July 2022.

The auditor's report on those financial statements was dated 26 July 2022. The auditors' report did not refer to any fundamental uncertainty, nor was it qualified or modified in any respect.

# 02

## Information on contributions and scheme participants

All of the membership and other information in this section is shown for the year ended 31 March 2022.  
At 1 April 2021, the total amount of members' accumulation relating to 2,914 members was \$383,961,289.  
At 31 March 2022, the total amount of members' accumulation relating to 2,750 members was \$384,425,091.

Membership details	Contributing members	Non-contributing members	Total number of members
Number of members at 1 April 2021	1,996	918	2,914
Plus			
New members			0
Transfers from other schemes			0
<b>Total new members</b>			<b>0</b>
Less			
Retirement			15
Death			1
Transfers to other schemes			55
Other reasons			93
<b>Total exits</b>			<b>164</b>
<b>Number of members at 31 March 2022</b>	<b>1,796</b>	<b>954</b>	<b>2,750</b>

### 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 2022

Type	Number of members	Total amount
Member contributions	1,980	\$10,326,065
Member voluntary additional contributions	70	\$1,875,902
Employer or other sponsor contributions		
Employer contributions	1,981	\$12,755,927
Government contributions	548	\$272,473
Manager contributions	33	\$19,481
<b>Total contributions</b>		<b>\$25,249,848</b>

In addition, an amount of \$2,250,000 was transferred within the Scheme from the Employer Reserve Account to individual member accounts.

# 03

## 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

On 17 August 2021, a new related party transaction was noted taking into account that two members of the Scheme are also members of the Scheme's Advisory Trustees and as such they may be classified as related parties of the Scheme in their role as Advisory Trustee of the Scheme.

All related party transactions were conducted on normal commercial terms and conditions during the accounting period and were on arm's length basis.

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

The SIPO was updated on 30 June 2021 to reflect the change of the trustee of Mercer Investment Trusts New Zealand (MITNZ). Mercer implements the investment strategy for the Scheme by investing the Scheme's assets in MITNZ. The manager of the MITNZ is Mercer and Mercer Investments (New Zealand) Limited was the trustee until 30 June 2021 and Trustees Executors Limited is the trustee from 1 July 2021.

The SIPO was subsequently updated on 14 March 2022 to reflect the removal of unlisted infrastructure and unlisted property and the corresponding increase in the listed infrastructure and listed property asset allocations. Dynamic Asset Allocation (DAA) references have been removed as well as benchmarks for unlisted infrastructure, unlisted property and commodities.

# 04

## Other information for particular types of managed funds

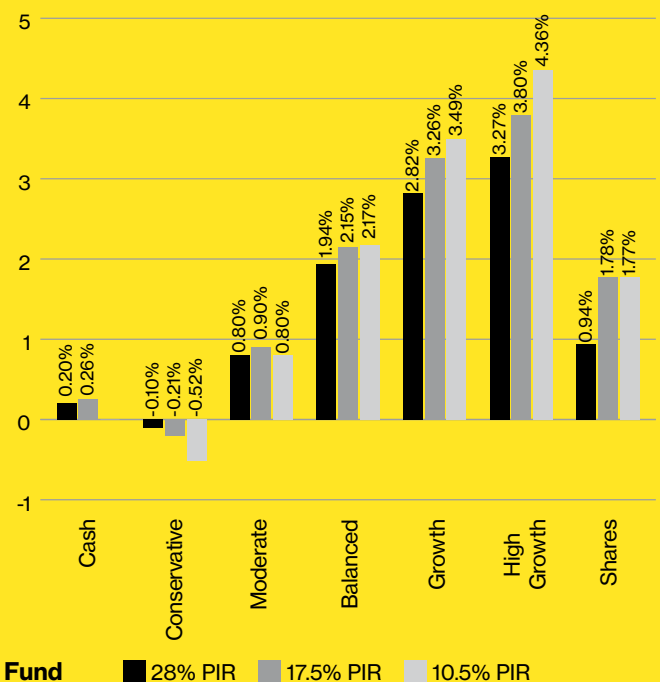
### Explaining Returns

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. The Cash option for the 10.5% PIR did not have funds invested for the full period.

### One year returns as at 31 March 2022 (after tax and fees)



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

Note: The investment returns are shown after deducting fund fees (but excluding any applicable other charges) and after tax at the Prescribed Investor Rate (PIR) noted. Your individual return can differ from these returns depending on the unit price applicable to each contribution or withdrawal you have made and how long they have been invested, as well as what proportion of each fund you may have selected to invest in. Returns represent past performance only and are not an indication or guarantee of future performance.

## 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.nzdfsavings.mil.nz](http://www.nzdfsavings.mil.nz) at any time.

### Unit prices

Type	1 April 2021*			31 March 2022		
	28% PIR	17.5% PIR	10.5% PIR	28% PIR	17.5% PIR	10.5% PIR
Shares	1.6997	1.7630	1.7346	1.7157	1.7943	1.7652
High Growth	1.5941	1.6421	1.7723	1.6463	1.7045	1.8495
Growth	1.4895	1.5291	1.4481	1.5314	1.579	1.4987
Balanced	1.4048	1.4405	1.4516	1.432	1.4715	1.4831
Moderate	1.2817	1.3048	1.2272	1.292	1.3165	1.2371
Conservative	1.2119	1.2377	1.1789	1.2107	1.2351	1.1728
Cash	1.0601	1.0694	0.0000**	1.0622	1.0722	1.0273

\* Opening price as at 1 April 2021 is the closing price on 31 March 2021.

\*\*The Cash option did not have any members at the start of the year at 10.5% PIR.

Are you in the right scheme fund choice?

Will your nest egg last as long as you do?

Can your mortgage be repaid years faster?

Are you on track to achieve major life goals?

A financial adviser from Become.nz can help you answer the questions above, and more. Free-call 0508 232 663 or email [hello@become.nz](mailto:hello@become.nz).

**become**<sup>NZ</sup>  
REDEFINING WEALTH





## 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 2022

Type	Number of members
Retirement	15
Leaving service/resignation/redundancy	88
Death	1
Total and Permanent Disablement	0
Permanent Emigration	0
Transfer to a KiwiSaver Scheme	55
Serious Illness	5
<b>Total full withdrawals</b>	<b>164</b>

### Partial withdrawals made during the year ended 31 March 2022

Type	Number of members
Partial withdrawals	507
Financial Hardship	8
First Home Withdrawal	42
Partial transfer to a KiwiSaver Scheme	7
Matrimonial Property	5
Retirement	0
Serious Illness	0
<b>Total partial withdrawals</b>	<b>569</b>

### Additional complying superannuation fund disclosures for the Category B section of the Scheme as at 31 March 2022:

- the market value of the DFSS's assets subject to complying fund rules is \$70,233,167 relating to 1,274 members; and;
- the value of withdrawals subject to complying fund rules totals \$4,263,716.

## Manager's annual statement

### As the manager of the Defence Force Superannuation Scheme, we confirm that for the period ended 31 March 2022:

- 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 2022 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  
26 July 2022

## Supervisor's annual statement

### As the supervisor of the Defence Force Superannuation Scheme, we confirm that for the period ended 31 March 2022:

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

Trustees Executors Limited  
26 July 2022

# 05

## 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 were no changes to key personnel of the manager and to the directors of the supervisor during the year.

### There were changes to the directors of the manager during the year:

- Emily Jane O'Brien (Executive Director) was appointed on 18 June 2021

# 06

## How to find further information

Information relating to the Defence Force Superannuation Scheme, 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.nzdfsavings.mil.nz](http://www.nzdfsavings.mil.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.



# 07

## Contact details and complaints

### Contact details for the manager:

Mercer (N.Z.) Limited  
PwC Tower, 15 Customs Street West  
PO Box 105591  
Auckland 1143  
Telephone: 0800 333 787

### Supervisor's contact details:

Trustees Executors Limited  
Level 11, 51 Shortland Street  
PO Box 4197  
Auckland 1040  
Telephone: 0800 878 783

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

Mercer (N.Z.) Limited  
Attn: Privacy Officer  
PwC Tower, 15 Customs Street West  
PO Box 105591  
Auckland 1143  
Telephone: 0800 333 787

In the first instance, please direct any complaints about your investment to Mercer at:

Mercer (N.Z.) Limited  
PwC Tower, 15 Customs Street West  
PO Box 105591, Auckland 1010  
Attn: Inquiries and Privacy Officer  
Telephone: 0800 333 787  
Email: [feedbacknz@mercero.com](mailto:feedbacknz@mercero.com)

Mercer may discuss your complaint with the supervisor.

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

Trustees Executors Limited  
Level 11, 51 Shortland Street, Auckland  
PO Box 4197, Auckland 1040  
Attn: Client Manager – Corporate Trustee Services  
Telephone: 0800 878 783

Mercer is a member of the Insurance and Financial Services Ombudsman Scheme (IFSO Scheme) and the supervisor is a member of Financial Services Complaints Limited (FSCL), both of which are independent dispute resolution schemes.

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

Office of IFSO Scheme  
Level 2, Solnet House  
70 The Terrace, Wellington  
PO Box 10-845, Wellington 6143  
Telephone: 04 499 7612 or 0800 888 202  
Facsimile: 04 499 7614  
Email: [info@ifso.nz](mailto:info@ifso.nz)

The IFSO will not charge a fee to any complainant to investigate or resolve a complaint. Further information about referring a complaint to the IFSO can be found at [www.ifso.nz](http://www.ifso.nz).

If you have made a complaint to the supervisor, and it has not been resolved, you can refer it to FSCL at:

Level 4, 101 Lambton Quay, Wellington  
PO Box 5967, Wellington 6140  
Telephone: 0800 347 257  
Email: [complaints@fscl.org.nz](mailto:complaints@fscl.org.nz)

The FSCL will not charge a fee to any complainant to investigate or resolve a complaint. Further information about referring a complaint to FSCL can be found at [www.fscl.org.nz](http://www.fscl.org.nz).

Note that different procedures apply when making a complaint to the IFSO and FSCL. Full details can be obtained at their respective websites.

### 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 BECOME (0508 232 663)

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 appropriately qualified 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, Become Wealth Limited, Marsh McLennan nor any members 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.