



TE OPE KĀTUA O AOTEAROA
DEFENCE FORCE

Defence Force Superannuation Scheme

2024

Annual Report



HEI MANA MŌ AOTEAROA
A FORCE FOR NEW ZEALAND

01 Details of scheme 4

02 Information on contributions and scheme participants 5

03 Changes relating to the scheme 6

04 Other information for particular types of managed funds 6

05 Changes to persons involved in the scheme 9

06 How to find further information 9

07 Contact details and complaints 10

Scheme snapshot

As at 31 March 2024



2,424

members



\$157,105

average member balance



\$381 million

invested



192

Prezzy Card winners across our savings schemes



19

first home purchases

Message from the Chief People Officer

On behalf of the New Zealand Defence Force Savings Schemes and the entire team, I would like to extend a warm welcome to the Annual Report for the Defence Force Superannuation Scheme.

It is an honour to have the opportunity to present this report on behalf of the new Chief of Defence Force and share the highlights of the past year with you.

Market Update

The year showcased a positive shift in the investment landscape. Unlike the previous year, where negative returns were experienced across various investment options, this year witnessed robust gains in markets. The rapid fall in inflation, without the anticipated global recession, played a significant role in driving these gains. The resilience of the US economy, coupled with stronger-than-expected economic growth, resulted in healthy returns for both shares and bonds. Notably, the Magnificent Seven - Apple, Alphabet, Microsoft, Amazon, Meta Platforms, Tesla, and Nvidia - played a pivotal role in driving the strength of share markets.

Acknowledging volatility that financial markets have experienced in recent years, as governments and central banks navigate the post-COVID recovery and geopolitical events, it is pleasing to report strong returns to our members this year, following the disappointing results of the previous year. This serves as a reminder that saving for retirement is a long-term endeavour, and it is important for members to look beyond short-term variability that is natural in the investment cycles.

Review of investments

The current investment structure for the Scheme has now been in place for almost nine years and while the last year has seen robust growth, recent performance relative to market has not been as strong as NZDF and Mercer would like. During the year the governance board, of which I am a member, worked with Mercer on a review of the investment structure. Our objective was to remove impediments to stronger long term growth relative to the market, and to continue with the drive to deliver value for money. Agreed changes to the investment structure have been implemented.

Financial Advice and Tools to support our members

In this report, I'd like to emphasise the importance of quality financial advice and the role it plays in helping our members become wealthier. Making informed financial decisions is crucial, and I know the NZDF Savings Schemes strive to provide the necessary tools and information to support our members throughout their journey towards retirement. Additionally, NZDF continues to be committed to assisting our members in their pursuit of homeownership, as we believe in supporting them not only in retirement but also in achieving their first homes dreams.

Acknowledgements

Lastly, I would like to express my appreciation to all those involved in managing the NZDF Savings Schemes and our partners for their support. Their collaboration and dedication have been instrumental in the success of the Defence Force Superannuation Scheme and in our endeavours to contribute to the financial wellbeing of the Defence Community members.

I hope that this report provides valuable insights and serves as a testament to the commitment we have towards our members' financial wellbeing.

If you have any questions or require further information, please do not hesitate to reach out to the team at NZDF Savings Schemes and the Benefits team at NZDF.



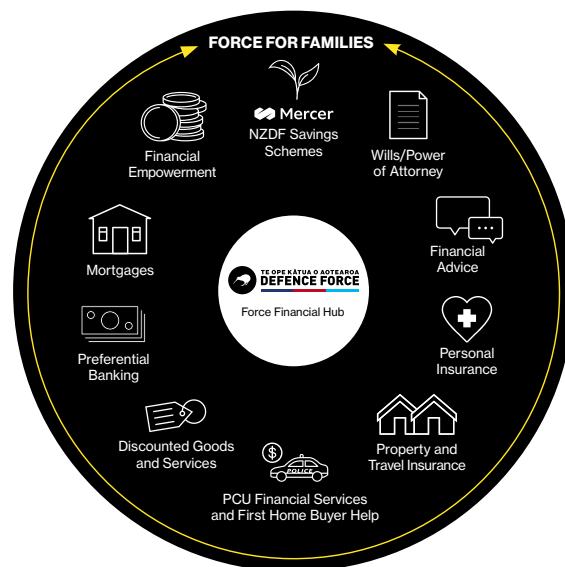
Jacinda Funnell
Chief People Officer

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 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:



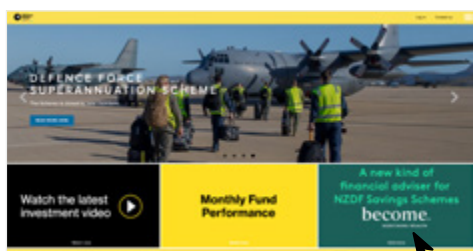
Force Financial Hub

It is a great source of information to help you and your family get sorted financially. Visit www.force4families.mil.nz/force-financial-hub or Google "Force Financial Hub".



The Retirement Income Simulator

It is provided to plan for your retirement and keep your plan on track. Sign in to your personal account at www.nzdfsavings.mil.nz to check out this tool.



The Scheme's online portal

It 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.



Financial Advice from Become Wealth

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 Wealth website, go to become.nz.

What retirement lifestyle do you want?

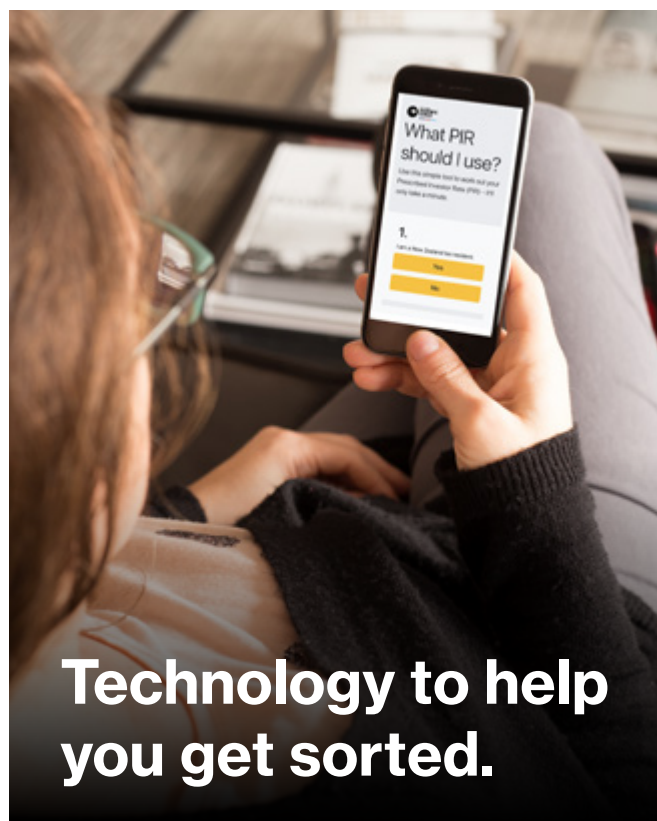
The gap between how much money retirees receive from NZ Super and how much they spend is growing. Many retirees today top up their NZ Super to maintain the lifestyle they want. The New Zealand Retirement Expenditure Guidelines (as at 30 June 2023) found that most New Zealanders aspire to and achieve a better standard of living in retirement than can be supported by NZ Super. 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 provincial location.

Key findings in this report

The New Zealand Retirement Expenditure Guidelines as at 30 June 2023.

Weekly NZ Super rates (after tax)*	One-person households		Two-person households	
	Metro	Provincial	Metro	Provincial
Total weekly expenditure				
No frills budget	\$826.26	\$689.54	\$982.02	\$849.82
Choices budget	\$1,163.09	\$1,263.35	\$1,665.85	\$1,330.30

*Weekly superannuation rates have been updated to reflect the rates at 1 April 2024.



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:

The Scheme is closed to new members.

Fund updates:

A fund update for each of the seven investment funds for the year ended 31 March 2024 was made publicly available on 27 June 2024.

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 2023 to 31 March 2024 and were authorised for issue by the manager, Mercer (N.Z.) Limited, on 16 July 2024.

The auditor's report on those financial statements was dated 16 July 2024. 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 2024. At 1 April 2023, the total amount of members' accumulation relating to 2,570 members was \$356,771,000. At 31 March 2024, the total amount of members' accumulation relating to 2,424 members was \$380,823,000.

Membership details	Contributing members	Non-contributing members	Total number of members
Number of members at 1 April 2023	1,559	1,011	2,570
Plus			
New members			0
Transfers from other schemes			0
Total new members			0
Less			
Retirement			15
Death			6
Transfers to other schemes			38
Other reasons			87
Total exits			146
Number of members at 31 March 2024	1,452	972	2,424

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 2024

Type	Number of members	Total amount
Member contributions	1,526	\$8,939,017
Member voluntary additional contributions	58	\$430,131
Employer or other sponsor contributions		
Employer contributions	1,525	\$10,994,965
Government contributions	397	\$179,255
Total contributions		\$20,543,368

In addition, an amount of \$1,125,000 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

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

Subsequent to the year end, the Statement of Investment Policy and Objectives (SIPO) was updated on 27 June 2024 to take into account changes in the strategic asset allocation, benchmarks and ranges in the diversified portfolios. Additionally, we included information about our sustainable investment strategy in the updated SIPO.

04

Other information for particular types of managed funds

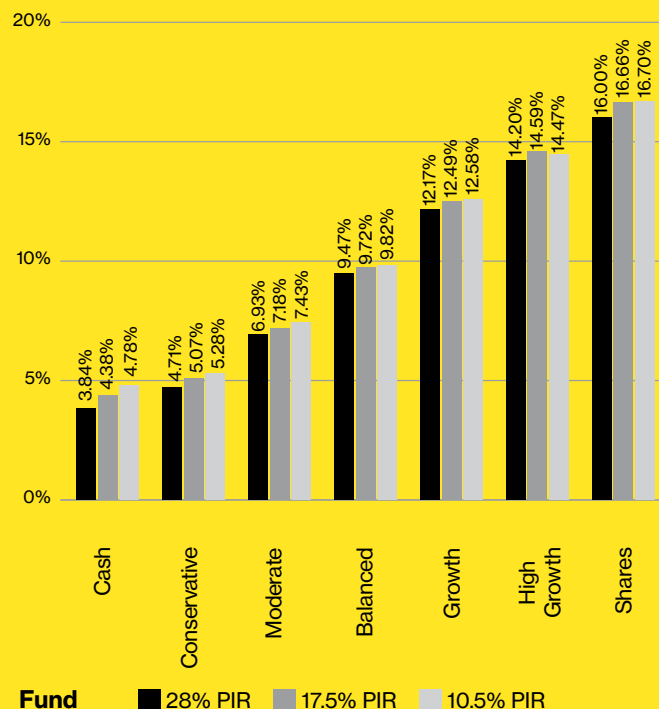
Explaining returns

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 and check that you have the correct tax rate selected for your savings.

One year returns as at 31 March 2024 (after tax and fees)



You can find up to date performance information by visiting www.nzdfsavings.mil.nz.

Note: Returns in the graph above are based on the unit prices at 28 March 2024. For the unit prices applied to your account, login to www.nzdfsavings.mil.nz. 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 at any time.

Unit prices

Type	1 April 2023*			31 March 2024		
	28% PIR	17.5% PIR	10.5% PIR	28% PIR	17.5% PIR	10.5% PIR
Shares	1.6793	1.7511	1.7206	1.9409	2.0353	2.0005
High Growth	1.5763	1.6281	1.7603	1.7902	1.8552	2.0037
Growth	1.4688	1.5071	1.43	1.6395	1.6868	1.6018
Balanced	1.377	1.4154	1.4187	1.5017	1.5472	1.552
Moderate	1.2591	1.2791	1.2031	1.3433	1.3677	1.2895
Conservative	1.1904	1.2125	1.1505	1.245	1.2724	1.2099
Cash	1.0858	1.0993	1.0555	1.1281	1.148	1.1067

* Opening price as at 1 April 2023 is the closing price on 31 March 2023.

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 Wealth can help you answer the questions above, and more. Free-call 0508 232 663 or email hello@become.nz.

become
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 suffering 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 2024

Type	Number of members
Retirement	15
Leaving service/resignation/redundancy	81
Death	6
Total and permanent disablement	0
Permanent emigration	5
Transfer to a KiwiSaver scheme	38
Serious illness	1
Total full withdrawals	146

Partial withdrawals made during the year ended 31 March 2024

Type	Number of members
Partial withdrawals	425
Financial hardship	11
First home withdrawal	19
Partial transfer to a KiwiSaver scheme	5
Matrimonial property	1
Retirement	0
Serious illness	0
Total partial withdrawals	461

Additional complying superannuation fund disclosures for the Category B section of the Scheme as at 31 March 2024:

- the market value of the DFSS's assets subject to complying fund rules is \$75,597,433 relating to 1,183 members; and;
- the value of withdrawals subject to complying fund rules totals \$3,688,257.

Manager's annual statement

As the manager of the Defence Force Superannuation Scheme, we confirm that for the period ended 31 March 2024:

- all the benefits required to be paid from the Scheme in accordance with the terms of the governing document have been paid; and;
- the market value of the Scheme property at 31 March 2024 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 2024

Supervisor's annual statement

As the supervisor of the Defence Force Superannuation Scheme, we confirm that for the period ended 31 March 2024:

- 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 2024

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 changes to the directors of the manager during the year:

- Ross Butler was appointed as a Director on 14 April 2023.
- David Bryant resigned as a Director on 16 November 2023.
- Emily O'Brien resigned as a Director on 16 November 2023.
- Catherine Hales was appointed as a Director on 16 November 2023.

There was a change to the directors of the supervisor during the year.

- Richard Klipin resigned as a Director on 31 March 2024.

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.

The Scheme register includes the financial statements, the governing document and the SIPO.

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**.

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
PO Box 105591, Auckland 1143
Telephone: 0800 333 787

Supervisor's contact details:

Trustees Executors Limited
PO Box 4197, Auckland 1140

Attn: The Manager - Corporate Trustee Services
Telephone: 09 308 7100

Complaints and Privacy Officer's contact details:

Mercer (N.Z.) Limited
Attn: Privacy Officer
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
PO Box 105591, Auckland 1143
Attn: Complaints and Privacy Officer
Telephone: 0800 333 787
Email: feedbacknz@mercerc.com

Mercer may consult with the supervisor when considering your complaint.

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

Trustees Executors Limited
PO Box 4197, Auckland 1140
Attn: The Manager - Corporate Trustee Services
Telephone: 09 308 7100

Mercer is a participant of the Insurance & 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 we are not able to resolve your complaint in our internal complaints process, you can refer your complaint to the IFSO Scheme.

You can contact the IFSO Scheme by:

Email: info@ifso.nz
Website: www.ifso.nz or use www.ifso.nz/make-a-complaint to make an online complaint.

Telephone: 0800 888 202
Address: PO Box 10-845, Wellington 6143

The IFSO will not charge a fee to any complainant to investigate or resolve a complaint.

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

Email: complaints@fscl.org.nz
Telephone: 0800 347 257
Address: PO Box 5967, Wellington 6140

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.

Different procedures apply for IFSO and FSCL. Full details can be obtained at their respective websites.

Connect

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 Benefits team



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.