



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



NEW ZEALAND
DEFENCE FORCE
FLEXISAVER SCHEME
REPORT 2017

SECTION ONE 1
DETAILS OF THE SCHEME

SECTION TWO 5
INFORMATION ON
CONTRIBUTIONS AND SCHEME
PARTICIPANTS

SECTION THREE 6
CHANGES RELATING
TO THE SCHEME

SECTION FOUR 6
OTHER INFORMATION FOR
THE FLEXISAVER SCHEME

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

SECTION ONE

DETAILS OF THE SCHEME

Name of the scheme:

The New Zealand Defence Force FlexiSaver Scheme is not a separate managed investment scheme, but a section within Mercer FlexiSaver (the scheme).

Type of scheme: Managed Investment Scheme

Manager: Mercer (N.Z.) Limited

Supervisor: Trustees Executors Limited

Product Disclosure Statement:

The current product disclosure statement for the scheme is dated 30 September 2015.

Fund Updates:

A fund update for each of the seven investment funds for the quarter ended 30 June 2017 was made publically available on 28 July 2017.

Financial statements and auditor's 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 2016 to 31 March 2017 and were authorised for issue by the manager, Mercer (N.Z.) Limited, on 24 July 2017.

The auditor's report on those financial statements was dated 24 July 2017. The auditors' report did not refer to any fundamental uncertainty, nor was it qualified or modified in any respect.



MESSAGE FROM THE CHIEF OF DEFENCE FORCE

Welcome to the annual report for the New Zealand Defence Force FlexiSaver Scheme. Now in its second year it is great to see the scheme grow.

Helping you grow non-retirement savings

While still very new to the market, the New Zealand Defence Force FlexiSaver Scheme more than doubled its membership, which now sits at over 750 members, and your savings grew from \$1 million in March 2016 to over \$6 million in July 2017.

Mercer, the fund manager, has more than 100 staff involved in research, tracking over 5,400 managers and 26,000 investment strategies globally. This means you have access to some of the most diversified and actively managed investments in New Zealand.

With FlexiSaver, you can choose an investment fund to suit your personal circumstances or invest in multiple funds to further diversify your investment portfolio.

Its flexible nature allows you to deposit or withdraw your money at any time. You choose how much to invest, when to invest and what you invest in. The New Zealand Defence Force has appointed independent financial advisers to help with your investment decisions. Their details can be found in this report.

Performance & commitment to socially responsible investment

All investment funds continue to deliver strong positive returns. You can monitor your investment and download monthly returns online.

This year a lot of attention has been given to socially responsible investing and Mercer's sustainable investment approach is likely to create and preserve long-term investment capital. It is great to see Mercer's commitment to this policy and their recent decision made in consultation with NZDF to divest from companies which potentially could cause harm to society and the environment.

Our commitment to you

This annual report covers all the legal information the scheme must report each year, but to ensure you can access additional information if required and be able to do it on the go, we've upgraded our Force Financial Hub. This website is getting more than 2,000 hits a month, so if you haven't checked it out yet simply Google Force Financial Hub to access additional content.

I am proud to see members of the Defence Force community save not just for their retirement and first homes, but growing their wealth with other savings. Thank you for being a part of the Defence Force savings programme and I look forward to seeing your savings grow.

Lieutenant General Tim Keating
Chief of Defence Force

NEW ZEALAND DEFENCE FORCE FLEXISAVER SCHEME **SNAPSHOT**

AS AT 31 MARCH 2017



671

members



\$6,868

average member balance



\$4,608,470

invested



192

Prezzy Card winners across
our savings schemes



NZDF LOOKING AFTER YOUR FINANCIAL WELLBEING

This annual report covers the New Zealand Defence Force FlexiSaver Scheme, one of three savings schemes available to members of NZDF. 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 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.

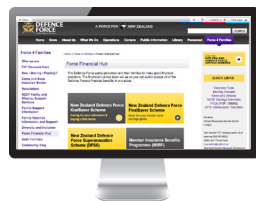
FURTHER INFORMATION

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/



► 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 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.nzdf.superfacts.co.nz.



► Financial Advice from Milestone Direct.

As a member of the Defence community you can get general advice about the New Zealand Defence Force FlexiSaver Scheme, 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. To access the Milestone Direct website go to nzdf.milestonedirect.co.nz.



SECTION TWO

INFORMATION ON CONTRIBUTIONS AND SCHEME PARTICIPANTS

All of the membership and other information in this section is shown for the New Zealand Defence Force FlexiSaver Scheme for the period ended 31 March 2017.

MEMBERSHIP DETAILS	TOTAL NUMBER OF MEMBERS	MEMBERS' ACCUMULATION
Number of Members at 1 April 2016	305	\$1,008,265
PLUS		
New Members	407	
LESS		
Exits	41	
Total Membership at 31 March 2017	671	\$4,608,470

CONTRIBUTIONS

Contributions are what helps you grow your savings and it's easy to contribute to your New Zealand Defence Force FlexiSaver Scheme account.

- ▶ You can make regular or lump sum contributions at any time.
- ▶ If you are a member of the New Zealand Defence Force you can contribute from your pay. There is a minimum contribution of \$20 per pay.
- ▶ Anyone can make regular or lump sum contributions directly into their FlexiSaver Scheme account from their online banking.
- ▶ There are no minimum contributions when you use online banking.
- ▶ More information on how to make contributions can be found at www.nzdf.superfacts.co.nz or the Force Financial Hub at www.nzdf.mil.nz/families/financial-hub.
- ▶ It is important to keep track of your account balance and have a contributions strategy. Milestone Direct advisers can help you to set your goals and stay on track.

CONTRIBUTIONS

TYPE	NUMBER OF MEMBERS	TOTAL AMOUNT
Member contributions	373	\$3,871,301.09

SECTION THREE

CHANGES RELATING TO THE SCHEME

Trust Deed The Trust Deed for the scheme is dated 16 September 2015. There were no amendments to the Trust Deed during the period.

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 period.

The Statement of Investment Policy and Objectives There have been no changes to the scheme's Statement of Investment Policy and Objectives during the period.

More information can be found in the Statement of Investment Policy and Objectives. You can request a copy by contacting us on 0800 333 787.

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.

SECTION FOUR

OTHER INFORMATION FOR THE FLEXISAVER SCHEME

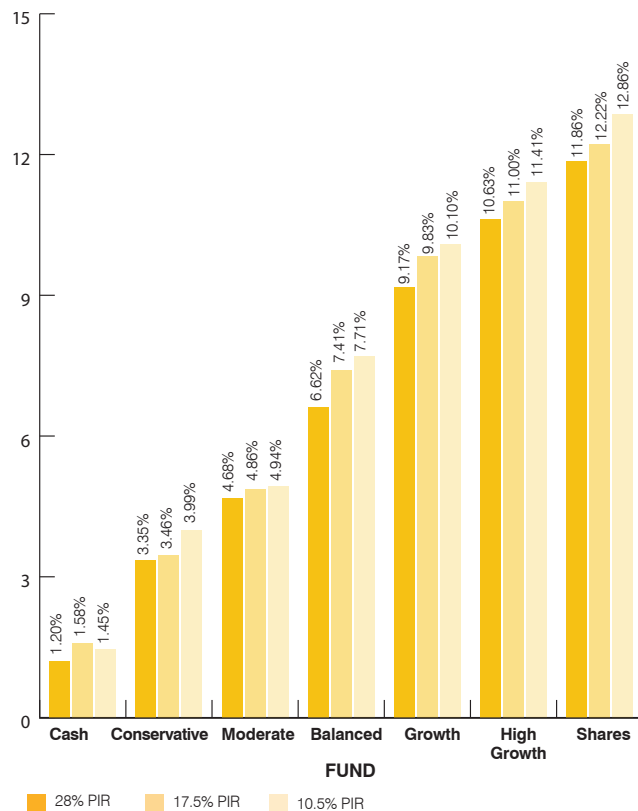
Explaining Returns

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.

Please go online to www.nzdf.superfacts.co.nz and check that you have the correct tax rate selected for your savings.

1 year returns as at 31 March 2017 (after tax and fees)



The investment returns are shown after fund fees (excluding membership fees) and after tax at the Prescribed Investor Rate (PIR) indicated.

It's important to note that the investment returns shown don't tell you how the investment options will perform in the future and that past performance is not a reliable indicator of future performance.

Your individual returns within an investment portfolio will depend on timing of contribution payments and actual fees charged, allowing for any fee rebates. The returns shown are therefore indicative of investment results but may differ from the actual after fees and tax returns achieved by you.



You can find updated performance information by visiting www.nzdf.superfacts.co.nz.

UNIT PRICES

Funds	1 April 2016*			31 March 2017		
	28% PIR	17.5% PIR	10.5% PIR	28% PIR	17.5% PIR	10.5% PIR
Shares	39889.03567	1732.76835	3184.41985	314741.53776	26216.09208	13451.16362
High Growth	95385.16826	5650.09105	6008.09629	367210.57748	31632.36155	28185.89799
Growth	233175.72330	18770.16600	10431.67656	650297.52544	223467.34093	19494.02392
Balanced	411882.02726	20776.13334	2356.35281	1658028.98704	183916.08110	15946.90731
Moderate	80933.85382	30314.95466	38.02592	364971.97331	32594.44022	17896.49945
Conservative	14858.52540	2329.45064	37.79843	125054.30055	96809.58496	4046.83256
Cash	1069.51070	2222.25810	18.88546	36635.81953	158.20304	45054.53487

*Opening price as at 1 April 2016, is the closing price on 31 March 2016.

HOW YOUR INVESTMENT EARNINGS ARE WORKED OUT

Contributions made to the New Zealand Defence Force FlexiSaver Scheme are used to purchase what are known as 'units' in your chosen investment option. The number of units that your money purchases depends on the unit price at the time of purchase. For example, if \$1,000 is contribute 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 www.nzdf.superfacts.co.nz at any time.

Need help?

Milestone Direct advisers can help you choose the right investment option for your circumstances. Please contact Milestone Direct on **0508 MILESTONE (0508 645 378)** or email them at info@milestonedirect.co.nz.

WITHDRAWALS

You may withdraw contributions made to the New Zealand Defence Force FlexiSaver Scheme at any time either by making regular withdrawals, lump sum withdrawals or a withdrawal of the full amount.

If you withdraw the full amount your account may be closed.

WITHDRAWALS

TYPE	NUMBER OF MEMBERS	TOTAL AMOUNT
Partial withdrawal	113	\$545,039.18
Full withdrawal	41	\$161,198.70

MANAGER'S ANNUAL STATEMENT

As the manager of the New Zealand Defence Force FlexiSaver Scheme, we confirm that for the period ended 31 March 2017:

- ▶ all the benefits required to be paid from the scheme in accordance with the governing document have been paid;
- ▶ the market value of the assets of the scheme at 31 March 2017, 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.



SECTION FIVE

CHANGES TO PERSONS INVOLVED IN THE SCHEME

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

There were no changes to the key personnel or the directors of the manager or directors of the supervisor since the scheme was launched.

SECTION SIX

HOW TO FIND FURTHER INFORMATION

Information relating to the New Zealand Defence Force FlexiSaver Scheme, for the offer register and the scheme register can be found at www.business.govt.nz/disclose.

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

The offer register includes information relating to the scheme's membership and funds. It also includes fund updates and other material information.

Information relating to the scheme, such as fund updates, the annual report, the current product disclosure statement and other useful information is available at www.nzdf.superfacts.co.nz or through the Force Financial Hub.

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 SEVEN

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: Inquiries and Privacy Officer
Telephone: 0800 333 787
Email: NZ.Privacy@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 Services Manager - Governance & Investor Oversight
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 | ▶ FSCL |
| PO Box 10-845 | PO Box 5967 |
| Wellington 6143 | Wellington 6145 |
| 0800 888 202 | 0800 347 257 |

CONNECT

Help is just a click or a call away. We would love to hear from you.

PHONE

0800 333 787

We are here between 9am and 7pm, Monday to Friday or leave us a message and we'll call you back.

EMAIL

nzdf@mercerc.com

POST

New Zealand Defence Force FlexiSaver Scheme
PO Box 1849
Wellington, 6140

Disclaimer

Mercer (N.Z.) Limited is the Manager of the Mercer FlexiSaver 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, and read and consider the current product disclosure statement. It is also recommended that you obtain advice from an authorised financial adviser. A copy of the current product disclosure statement is available on the website www.nzdf.superfacts.co.nz or by calling the Helpline on 0800 333 787. You should be aware that the value of an investment in the New Zealand Defence Force FlexiSaver Scheme may rise and fall from time to time. Neither Mercer, nor Trustees Executors Limited, New Zealand Defence Force, Milestone Direct Limited, MMC Inc. nor any member of the worldwide Marsh and McLennan Group of Companies guarantees the investment performance, earnings or return of capital invested in any of the New Zealand Defence Force FlexiSaver 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.