Newsletter

The performance of the Fund in the last financial year has been extraordinary. The Balanced and Conservative portfolios have earned 28.2% and 12.4% before fees and tax and 24.1% and 10.6% after fees and tax (at 28%) respectively. These returns are well above the predicted future returns of the Balanced and Conservative portfolios net of fees and tax of 4.1% and 2.3% respectively. Attached is a market outlook of the Fund's Investment Consultant.

Investment Choice

At their recent meeting, the Trustees decided to offer members the option of a Growth Portfolio in addition to the current offerings of Balanced and Conservative Portfolios. This decision is based on actuarial advice of the Fund's investment consultant that growth portfolios split 80:20 between shares and bonds are expected to outperform other portfolios over the long term.

In considering whether to switch to the new Growth Portfolio, members need to be mindful that, while the Growth Portfolio is expected to earn more in the long term, it has a higher risk of short-term losses and hence may not be suitable for members who have a short-term horizon for their retirement savings, e.g., if they will soon be retiring or expect to be seeking to withdraw their benefits soon for a first-home purchase. Further, apart from risk of annual losses being greater, the prospect of higher long-term returns is not assured.

A Growth Portfolio is being offered on actuarial advice that, in the long-term, there is a likelihood that returns of a growth portfolio will be higher and, based on this advice, the Trustees believe members should have the option of investing in a growth portfolio if they wish. It is nevertheless a matter for each member to choose their investment portfolio taking account of their personal financial circumstances, their time horizon and their appetite for the returns of the Growth Portfolio, and, to a lesser extent, the returns of the Balanced Portfolio being more variable.

A separate communication to members is currently being prepared comparing the expected returns and risks of the Balanced and Conservative portfolios, and a Growth Portfolio and setting out other factors which members should consider in making their investment choice. This communication will be distributed to members shortly together with an investment choice form for members to complete if they wish to change from their current investment choice.

Monthly Payments of Deferred Benefits

Retiring members may leave some or all of their benefits in the Fund where they continue to be efficiently and effectively managed in the portfolio of their choosing. Members who defer their benefits can make occasional lump-sum withdrawals and/or regular monthly withdrawals. The Trustees have recently increased from two to four, the maximum number of lump-sum withdrawals per annum which members may make. Currently the Fund has about 300 deferred members.

The facility for members to make monthly withdrawals is designed to provide them with a regular income, in addition to their national superannuation, to meet their ongoing living expenses. Members are required to decide on the amount to withdraw each month depending on their other income and the amount of savings they have for their retirement. To assist members decide how much to withdraw each month, the Trustees already provide members with actuarial tables which indicate how long their savings will last depending on their account balance when they retire and their chosen investment portfolio. These tables are currently being updated.

To further assist members, in future when retiring members indicate on their exit form that they are considering deferring their benefits, the Administrator will advise them of the monthly withdrawals their savings will support up to ages 80, 85 and 90 based on the expected returns of their chosen investment portfolio. As with the current tables, these withdrawal amounts will be based on actuarial assessments by the Fund's investment Consultant and will not be guaranteed. The length of time the member's account balance will support the rate of monthly withdrawals by the member will depend on the actual returns of the member's investment portfolio. Further, whether the payments can be maintained to the end of the member's life will depend on how long the member actually lives.

Recognising these uncertainties, each year with the Member Statement of their account balance, the Administrator will update the actuarial projections of the monthly payments which the member's current account balance will support. Taking account of this information, any changes to their overall financial circumstances and the latest assessment of their life expectancy, deferred members making monthly withdrawals will have the opportunity to change their monthly rate of

While neither the Trustees nor the Administrator are allowed to provide individual financial advice, the Chairman is available on 021 0748524 to provide any clarification sought by members.

Fund Management

Funds continue to be invested in managed funds whose performance is closely monitored by the Trustees. The Trustees have recently appointed Fisher Funds to manage Australasian Equities (together with Salt Fund Management); and ANZ for the share of global equities which is passively managed and NZ bonds and cash, in each case in place of AMP Capital.

PIRs

Members are again reminded of the importance of providing the Administrator with their correct PIR, generally 28%. If members do not declare the correct rate based on their income, IRD is expected to submit an invoice at the higher rate of 33% so that, in effect, members will be penalised for declaring the wrong rate. Some members have already received such invoices.

Members are reminded that, if and when they do receive such an invoice, the Trust Deed has been amended to allow members to make withdrawals to meet any tax liability incurred as a consequence of declaring the wrong PIR.

It is important for the Administrator to also have members' IRD numbers. The annual benefit statement as at 31 March 2021 shows the IRD number held in the Administrator's records. Members should check their statement and if the IRD number is missing or incorrect they should let the Administrator know.

Seafarers Retirement Age and Vesting Period

The Trust Deed has recently been amended to reduce the age of retirement for seafarers from 65 to 60 and to reduce the qualifying period withdrawal from 20 years to 5 years for full vesting of employer contributions for seafarers who leave the industry before retirement. This brings the retirement age and the vesting period for seafarers into line with retirement age and vesting period for waterside workers.

David Young
Chairman of Trustees