

NEWSLETTER TO MEMBERS

ANNUAL REPORT

The annual meeting of the trustees of the Maritime Retirement Scheme and the Maritime KiwiSaver Scheme was held 26 July, 2018. At this meeting the attached annual reports were approved and adopted. As shown in these reports the gross returns of the balanced and conservative portfolios in the year ended 31 March 2018 were 8.5 per cent and 4.7 per cent respectively.

TRUST DEED AMENDMENT AND CHANGES TO THE TRUSTEES POLICIES AND PROCEDURES

Criteria for Waterside Workers Joining the Scheme

The trustees have amended their policies and procedures to require waterside workers who do not join the Scheme within six months of being permanently employed in the industry to submit a medical certificate with their application for membership showing that they have no life-threatening illness. This is to avoid waterside workers who are not members joining only when they become aware of some terminal illness in order to qualify for the additional death benefit.

Additional Death Benefit to Waterside Workers

To qualify for the additional death benefit, waterside workers must still be employed within the industry. The trustees have confirmed the longstanding policy and practice of:

- allowing waterside workers who are in the process of resigning from the industry due to some terminal illness to defer the effective date of their resignation for up to six months from the date they cease work
- granting terminally ill members a period of grace from the requirement for members to be contributing in order to qualify for the additional death benefit.

Any deferral of a member's effective date of resignation is a matter for members to arrange with their employers, not a matter for the Fund to arrange. The trustees' policy is merely to recognise the practice of members who are terminally ill deferring the effective date of their resignation so that they don't forfeit the additional benefit as soon as they cease working.

Resignation and Retirement Benefits

The trustees have an obligation to fully inform members of the options when they are exiting the Fund. Apart from members withdrawing their benefits these options include members leaving their benefits in the Fund or transferring their benefits to another KiwiSaver or other approved superannuation fund.

For members who do not yet qualify for full vesting of employer contributions, these options avoid members forfeiting part of their employer contributions. The trustees have decided to remind resigning members of their options and inform them of the benefits they will forfeit if they withdraw their benefits rather than deferring them or transferring them to another fund.

The trustees also decided to remind members who are retiring that they have the option of deferring their benefits and, if they wish, taking their benefits in the form of regular payments.

SAVINGS TARGETS AND MANAGING RETIREMENT SAVINGS

Setting Your Retirement Savings Target

Members Benefit Statement this year show projections of the expected amounts in member accounts at the normal retirement age of 65. These projections are update monthly on the website and will be updated annually on member statements.

Two projections are shown:

- firstly, a projection of your account balances at age 65 if you make no further contributions
- secondly, a projection of your account balances at age 65 if you continue to contribute.

The projections are based on actuarial forecasts of earnings rates and are in real dollars. Actual earnings rates may be more or less than the assumed earnings rates.

With the Annual Report is a brochure which the trustees have prepared to assist you set your own retirement savings targets. The target appropriate for you will depend on your individual financial circumstances, the income you will require to support the standard of living to which you aspire in your retirement and what, if any, other income-earning assets you will have available to provide other income for your retirement. When you have set a target you can compare this with the projections shown on your member statement and then, taking into account any other assets you may have, decide if your contribution rate is likely to be sufficient to meet your target.

The savings projections shown on member statements vary greatly. Some members can expect to retire with savings approaching or even exceeding \$1,000,000 while, of concern, many members are expected to retire with quite modest savings in their accounts based on their current account balances and contribution rates (although if you may have other sources of income for your retirement).

To support a lifestyle in retirement that will give retirees some choices beyond the very basics, eg, choices to own a car, have holidays, etc., most commentators on superannuation suggest that retirement savings in the order of \$500,000 are required to provide additional income to supplement the national pension. Our members typically have above average earnings and to maintain the lifestyle to you may have become accustomed you may require more savings than the average kiwi will require. The lifestyle to which you aspire and a target of the savings you will require a matter for you to determine for yourself.

For members of the Fund with regular earnings throughout their working life, a target of \$500,000 or even more is generally readily achievable, provided members save for (most of) their working life and preserve their savings for their retirement. The projections show that many members can expect to reach or exceed this amount. On the other hand, the projections show that many members will fall short of this amount and, if you are one of these members, you may wish to increase your contribution rate.

The risks are that, for various and often valid reasons, you might have started saving late in your working life or you might have withdrawn some of your benefits for hardship or other reasons. If you are one of these members then, to achieve your savings target, you may need to contribute at a higher rate than the basic contribution rate specified in your employment agreements.

The attached brochure includes some tables that will assist you set a retirement savings target appropriate to your individual circumstances and aspirations for your retirement. Tables are also

shown in the brochure that will then enable you to determine the rate at which you will need to contribute to achieve your target.

The Fund is not allowed to provide individual financial advice to members. If you require specific advice you will need to consult a Registered Financial Adviser.

Managing Your Retirement Savings

When you retire, you can if you wish become a deferred beneficiary by leaving some or even all of your benefits in the Fund and then making withdrawals, either periodically or regularly (monthly), as and when you need funds for your retirement.

The main advantage of deferring your benefits is that your savings will continue to be professionally and efficiently managed in either a balanced or conservative portfolio of your choosing. The Fund's investment portfolios comprise managed funds of shares and bonds, New Zealand (and Australia) and global. The Fund's costs are generally significantly less than the fees charged by equivalent retail funds.

If you wish, you can make regular monthly withdrawals thereby providing regular income in your retirement. Apart from having your savings professionally and efficiently managed, the advantages to you of deferring your benefits when you retire and making regular withdrawals are, firstly, it will provide an easy means for you to manage your retirement savings and, secondly, if you choose, it will provide a regular flow of income to you in retirement.

When you retire you will receive a brochure from the Fund's Administrator setting the regular withdrawals which your savings can be expected to support in your retirement. Once again, this is not financial advice to you specifically and, when you retire, you may wish to consult a Registered Financial Adviser.

ADVICE TO MEMBERS

The Administrator, MJW, has a target of showing the returns for each month and member account balances at month end by the 20th of the following month. The returns for the month of July and account balances as at 31 July, 2018 were uploaded onto the member statements on 20 August.

If members have any queries the contacts at MJW are:

- Seafarers: Cecilia Heath, maritime@mjlw.co.nz, phone 0800 947 357
- Waterside Workers: Maria Kane, maritime@mjlw.co.nz, phone 0800 947 357

David Young
Chairman

Joe Fleetwood
Deputy Chairman

DISCLAIMER: The Trustees of the Maritime Retirement Scheme and the Maritime KiwiSaver Scheme are the issuers of membership in these schemes. The product disclosure statements for these schemes is available on the Offer register at www.companiesoffice.govt.nz/disclose.

The information in this newsletter has been prepared for the purpose of providing general information only, without taking account of any particular member's objectives, financial situation or needs. Members should, before making any investment decisions, consider the appropriateness of this information and whether to seek professional advice, having regard to their objectives, financial situation and needs.