

**ANNUAL REPORT TO MEMBERS**

**for the**

**MARITIME KIWISAVER SCHEME**

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**Year ended 31 March 2018**

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## Chairman's Report

MKS Annual Report 2017/18

I am pleased to present the second annual report of the Maritime KiwiSaver Scheme (MKS).

While a bit lower than in recent years, the Fund has again achieved good returns for the year with the Balanced Portfolio realising gross returns (after investment management fees and administration costs) of 8.5 per cent and net returns (after tax at 28 per cent) of 5.9 per cent. In the year, the Conservative Portfolio realised gross returns of 4.7 per cent and net returns of 4.0 per cent. These returns compare with expected net returns in the median term of 4.8 per cent and 2.9 per cent for balanced and conservative portfolios respectively (assuming 2 per cent inflation) so it is not expected that the very good returns of recent years will be maintained.

MRS was established on 1 April 2016 as a merger of the Seafarers Retirement Scheme (SRF) and the Waterfront Industry Superannuation Fund (WISF). A major reason for merging the two schemes was cost savings and I am pleased to report that the anticipated cost savings have generally been realised. It is estimated that, notwithstanding an increase in recent years in compliance costs, the Fund has been able to realise significant cost savings. The Trustees continue to closely monitor administration costs, and to seek opportunities to reduce investment management fees recognising that ultimately these are paid for by members.

In the year ended 31 March 2018, the administration costs of the Fund, including the Maritime KiwiSaver Scheme (MKS), amounted to \$603,000 or 0.3 per cent of funds under management. This percentage of member funds expended on administration costs compares favourably with other similar schemes.

Investment management fees which vary across the various investments of the Fund averaged 1.3 per cent for the Balanced Portfolio and 0.8 per cent for the Conservative Portfolio. Investment management fees and administration costs combined were 1.6 per cent for the Balanced Portfolio and 1.1 per cent for the Conservative Portfolio. Again, these figures compare favourably with other providers in the industry where typically fund management fees and administration costs are up to 1.8 per cent for balanced portfolios and 1.5 per cent for conservative portfolios.

Two changes during the year to the Fund's investments were, at the end of the year, Devon Funds Management was replaced by Salt Investment Funds Limited for the management of New Zealand Equities and the Fund disinvested from the Devon Australian Equities Fund, so the AMP's Australian Shares Fund with Schroders is now the sole manager of Australian equities.

Another major change during the year is that the Fund has sold the industrial property in Auckland that had previously been an investment of SRF. This property had, over the years, given very good returns but, as a concentrated investment, it posed a significant risk and the Trustees felt the Fund did not have the necessary support systems or expertise to manage a direct investment. Otherwise, following a review of "alternative assets", the Trustees decided to retain the Fund's investment in the JPMorgan Multi-Strategy Fund with Nikko.

The trustees continue to offer members the options of a balanced and/or a conservative portfolio. As indicated, the Balanced Portfolio is expected to achieve higher returns in the medium term but with more volatility whereas the Conservative Portfolio is expected to yield lower returns but be less volatile.

During the year the size of the MKS, increased slightly from \$12M to \$13M and the number of members decreased from 299 to 287.

The trustees continue to encourage members to set savings targets and then to adjust contribution rates to achieve their targets. The typical advice of the superannuation industry is that, in addition to the family home,

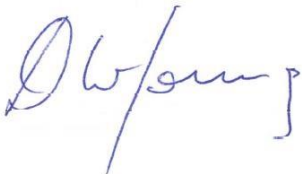
New Zealanders should aim to save about \$500,000 for retirement. For most seafarers and waterside workers who save consistently for retirement a target of this order is readily attainable.

When members retire the major challenges they generally face are, firstly, to invest their retirement savings so that they continue to earn good returns and, secondly, to manage expenditure to minimise the risk that retirement savings will be all exhausted too soon, leaving members reliant on the national pension and with insufficient independent means to maintain the lifestyle to which they aspire.

In regard to all these challenges, the Fund provides generic advice on the required contribution rates which members need to make to achieve various savings targets and then, when they retire, the length of time which members can expect to live after retirement and rate at which members can draw down in order for their savings to last sufficiently. The Fund also allows, even encourages members to consider leaving their retirement savings in the Fund after they retire so their savings will be effectively and efficiently managed and from where they can make regular withdrawals, or occasionally lump sum withdrawals if they prefer.

The Fund is governed by a Board of Trustees comprising four trustees appointed by the Maritime Union of New Zealand, two appointed to represent the employers of seafarers, two appointed to represent the employers of waterside workers, and a Chairman and Licensed Independent Trustee both appointed by the Trustees. There were no changes to the trustees during the year.

The trustees thank members and participating employers for their continuing support.

A handwritten signature in blue ink, appearing to read 'D Young', with a stylized flourish at the end.

David Young

Chairman

# Investment Issues

## INVESTMENT REVIEW

The first nine months of the financial year continued without major incident. The US Federal Reserve lifted its interest rate as expected in the June quarter and in the September quarter announced its intention to “normalise” its balance sheet. The US senate passed its “Trump Tax Bill” with expected benefits for US corporates spurring the equity market (particularly telecom, energy and utility sectors) higher.

However, the March 2018 quarter was something of a rude awakening for investors; the first shock in markets was in February and revolved around concerns over increasing inflation. In March, president Trump’s introduction of tariffs caused a further negative reaction (trade wars are not good for markets). The result of this was negative returns across almost all share markets and a negative quarter from global corporate bonds.

In spite of this “correction” late in the financial year, the strong first nine months meant that the year remained positive for all asset classes. Thanks to a strong performance from certain key stocks like a2 milk and Xero, the NZ share market had a very strong year with a return of 16.9% overall. Unfortunately the Scheme was not able to take full advantage of this due to its NZ share manager being underweight these stocks. However, it still posted a good positive result.

The return from other markets was a little lower with the MSCI World Index up 9.9% for the year while Australia was up just 2.5% (both figures in local currency terms). The appreciation in the NZ dollar against the Australian dollar has meant that the return for unhedged investors in Australia was near zero.

Bonds saw modest positive returns in New Zealand. The return for mainstream global bond funds (which invest in a mix of government and non-government bonds), while lower than previous years, was still positive. As with shares, bonds had weaker returns in the later months of the year due to rising interest rates and some pain in corporate bond markets. The Scheme saw particularly good performance from its two global bond managers.

The Treasury’s estimate for New Zealand’s real GDP growth for 2018 is 2.8%, with forecasts rising to 3.3% and 3.4% in 2019 and 2020 respectively. The Treasury expects inflation to stay within a 1% to 2% range, with some increase in its forecasts in the 2022 year to 2.0%.

## Details of Scheme

The scheme name is the Maritime KiwiSaver Scheme (the “Scheme”). The Scheme is registered as a restricted KiwiSaver scheme.

The manager is the Board of Trustees named on page 7. The product disclosure statement for the Scheme is dated 21 May 2018 and is open for applications. Fund updates for the Conservative Portfolio and Balanced Portfolio were made publicly available on 29 June 2018 for the year ended 31 March 2018.

The financial statements of the Scheme as at 31 March 2018, and the auditor’s report on those financial statements, have been lodged with the Registrar of Financial Service Providers and are available electronically by visiting [companiesoffice.govt.nz/disclose](http://companiesoffice.govt.nz/disclose), selecting search schemes and entering the Scheme name.

## Information on Contributions and Scheme Participants

### Total Members

Members	31 March 2018	31 March 2017 *
Contributing members	243	294
Non-contributing members	5	5
<b>Total members</b>	<b>287</b>	<b>299</b>

### New Members

New Members for Year Ended 31 March 2018	
Transfers from other schemes	4
Other new members	4
<b>Total new members</b>	<b>8</b>

### Member Exits

Member Exits for Year Ended 31 March 2018	
Retirement	13
Death	1
Disablement	1
Transfers to other schemes	5
Other reasons	Nil
<b>Total member exits</b>	<b>20</b>

## Members' Accumulations

Members' accumulations	31 March 2018	31 March 2017
Total account balances	\$13,000,546	\$11,834,297
Number of members with accounts	287	299
<b>Total members</b>	<b>287</b>	<b>299</b>

## Total Contributions

Contribution Type	Total for Year Ended 31 March 2018	Number of Members To Whom Contributions Related
Member contributions	\$1,000,959	243
Employer contributions*	\$430,882	243
Member additional voluntary contributions	Nil	Nil
<b>Total contributions</b>	<b>\$1,431,841</b>	<b>243</b>

\*Net employer contributions credited to Scheme after deducting employer superannuation contribution tax.

## Changes Relating to the Scheme

During the year ended 31 March 2018 the Scheme continues as a restricted KiwiSaver scheme registered under the Financial Markets Conducts Act (FMCA)

There were no changes to the Maritime KiwiSaver Scheme Trust Deed for the year ended 31 March 2018.

There were no changes to The Statement of Investment policy and Objectives (SIPO) during the year ended 31 March 2018

The Product Disclosure Statement (PDS) for the offer of membership was updated on 21 May 2018. There were no material changes made to the PDS.

No transactions providing for related party benefits (as contemplated by section 172(1) of the FMCA) to be given from the Scheme were entered into during the year ended 31 March 2018 on anything other than arm's-length terms.

Quarterly Compliance Reporting to FMA was completed confirming there were no Limit Breaks under the Scheme's SIPO and confirming that there were no new Related Party Transactions.

## Other Information

During the year, 40 Scheme participants made a withdrawal that was permitted under the FMCA and the trust deed, and the grounds on which those withdrawals were made were as follows:

Withdrawal type	Number of members
<b>Full withdrawals</b>	<b>20</b>
Leaving service	13
Transfer	5
Disablement	1
Death	1
<b>Partial withdrawals</b>	<b>15</b>
Contributing members	9
Non-contributing members	6
Relationship property sharing order	Nil

The following table shows the monthly crediting rates (after tax at the highest PIR and an allowance for general expenses) applied to members' accounts during the year:

Month	Crediting rate applied	
	Balanced Portfolio	Conservative Portfolio
April 2017	1.29238%	0.28198%
May 2017	0.20508%	0.62708%
June 2017	-0.14087%	0.13500%
July 2017	0.51392%	0.36944%
August 2017	1.14359%	0.77567%
September 2017	0.78725%	0.26679%
October 2017	2.30437%	0.71221%
November 2017	0.58381%	0.31294%
December 2017	0.55526%	0.21478%
January 2018	1.40211%	0.79001%
February 2018	-1.61691%	-0.73759%
March 2018	-1.23154%	0.22496%

The Trustees confirm that for the year ended 31 March 2018 all contributions required to be made to the Scheme in accordance with the terms of the trust deed were made.

The Trustees confirm that:

1. All the benefits required to be paid from the Scheme in accordance with the terms of the trust deed and the KiwiSaver scheme rules have been paid.
2. The market value of the property of the Scheme as at 31 March 2018 equalled the total value of benefits that would have been payable had all members of the Scheme ceased to be members at that date and had provision been made for the continued payment of all benefits being paid to members as at that date.

## Changes to Persons Involved in the Scheme

During the year Mark Thompson was appointed as a trustee in May 2017. The following persons served as Trustees during the year:

- David Young (Chairman)
- Simon Brodie (Licensed Independent Trustee)
- Joe Fleetwood
- David Scott
- Ray Welson
- Diane Edwards
- Alan Windsor
- Mike Clark
- Russel Mayn
- Mark Thompson (appointed May 2017)

There were no other changes during the year to the Trustees or other investment managers.

There were no changes during the year to the custodian, the administration manager, the securities registrar or the auditor of the Scheme.

There were no changes in the control of the Trustees during the year ended 31 March 2018.

## How to Find Further Information

The following information is available electronically (and free of charge) on the Disclose Register at [companiesoffice.govt.nz/disclose](http://companiesoffice.govt.nz/disclose):

- copies of the trust deed, the Scheme's latest audited financial statements, the SIPO and the annual report (select *search schemes* and enter the Scheme name); and
- copies of the PDS, the annual fund updates and other material information relating to the Scheme (select *search offers* and enter the Scheme name).

Copies of the SIPO, the PDS, the latest annual report and the latest fund updates (as well as other information about the Scheme) are also available on the Scheme's website [maritimeretirementscheme.nz](http://maritimeretirementscheme.nz).

You can obtain a copy of any of the above documents (or an estimate of your benefits) from the Trustees free of charge by writing to the administration manager at the following address:

Maritime KiwiSaver Scheme  
Melville Jessup Weaver  
Level 5, 40 Mercer Street  
PO Box 11330  
Wellington 6142



## Contact Details and Complaints

You can contact the Trustees via the Administration Manager at:

Maritime KiwiSaver Scheme  
Melville Jessup Weaver  
Level 5, 40 Mercer Street  
PO Box 11330, Wellington 6142

Phone: 0800 947 357

The administration manager also acts as the securities registrar for the Scheme and can be contacted (in that capacity) at the above address.

Any queries or complaints about the Scheme can be made by contacting the Trustees at the above address.

The Trustees have established a process to deal with any complaints that members might have. The process is confidential, providing members with the ability to be satisfied that all their dealings with the Scheme have been handled properly. The first step is to contact either the secretary or the administrator in confidence to set out your complaint.

Members also have the right to send their complaints directly to the Scheme's external disputes resolution service, Financial Services Complaints Limited ("FSCL"). FSCL's contact details are:

Website: [www.fscl.org.nz](http://www.fscl.org.nz)  
Email: [info@fscl.org.nz](mailto:info@fscl.org.nz)  
Telephone: 0800 347257 (call free for consumers)  
(04) 472 FSCL (472 3725)  
Fax: (04) 472 3727  
  
Postal address: PO Box 5967 Lambton Quay  
Wellington 6145

Neither we nor FSCL will charge a fee to any complainant to investigate or resolve a complaint.

## Financial Information

The following tables contain information extracted from the full financial statements which were audited and signed on 31 July 2018.

### Investment performance

	31 March 2018	31 March 2017
Total investment revenue	\$912,088	\$1,063,013

### Expenses

	31 March 2018	31 March 2017
Investment expenses	\$45,821	\$36,186
General expenses	\$38,648	\$33,825

### Membership activities

	31 March 2018	31 March 2017
Member contributions	\$728,241	\$761,803
Employer contributions	\$430,882	\$446,086
Voluntary contributions	\$0	\$13,527
Crown Contributions	\$132,026	\$131,560
Transfers In	\$140,692	\$312,186
Withdrawals	\$868,574	\$1,283,480

### Assets

	31 March 2018	31 March 2017
Total investments	\$13,108,221	\$11,834,297
Tax receivable / (payable)	\$(107,675)	\$(116,962)

**Member accounts**

	<b>31 March 2018</b>	<b>31 March 2017</b>
Member accounts	\$8,949,427	\$8,184,754
Employer accounts	\$4,051,119	\$3,649,543
Voluntary accounts	\$0	\$0

A copy of the full financial statements can be obtained from the Administrator:

Melville Jessup Weaver:

Freephone 0800 947 357

Email [maritime@mjlw.co.nz](mailto:maritime@mjlw.co.nz)