Newsletter to Members of the

Maritime Retirement Scheme and the Maritime KiwiSaver Scheme

Market Outlook and Fund Performance

Inflation continues to run at high levels around the world and, consequently, central bankers have been aggressively raising interest rates for most of this financial year. Rising interest rates depress asset prices and so the returns from the Fund's investments have mostly been negative.

In recent months, markets have turned positive, and it now appears that inflation rates, while still high, may have peaked. As such, markets have risen strongly in the last three months, erasing most of the losses earlier in the Scheme's financial year.

The returns for the Scheme's financial year to date (the period 1 April 2022 to 31 January 2023) are now only small losses for the Growth, Balanced and Conservative Portfolios (-3.2%, -3.3% and -2.3%, respectively, after costs and tax at 28%). While the outlook remains uncertain, especially in relation to inflation, the prospects for future returns are good, with interest rates now at higher levels than they have been for some time.

In-Service Withdrawals

The Trustees believe benefits should be preserved by members for retirement and strongly discourage members from making in-service withdrawals. Nevertheless, as a legacy of the Seafarers Retirement Fund, seafarers who joined the Fund before 1 April 2016 are entitled to one (more) in-service withdrawal.

The Trustees have decided to remove the condition of a six-month wait for the payment of in-service withdrawals and will no longer make a charge on members of $100 for in-service withdrawals

Casual Waterside Workers

The Trust Deed prescribes that, to belong to the Waterfront Fund, Waterside workers must be employed permanently under terms of employment that prescribe a minimum number of hours of work. As such casual workers are not eligible to belong or contribute to the Maritime Retirement Scheme (MRS) although they are eligible to belong to the Maritime KiwiSaver Scheme (MKS).

While existing members of the Waterfront Fund who were previously employed permanently and who switch to being employed casually can continue to contribute to MKS, they cannot continue to contribute to MRS and instead they can either defer or withdraw their benefits.

Seafarers Reserve

Small amounts of money are credited to the Seafarers Reserve each year comprising employer contributions which members forego if they withdraw their benefits within five years of joining and contributions by seafarers who do not join and who, after six years, cannot be traced. These funds are distributed to members of the seafarers Fund in July each year, after the Fund's annual accounts have been finalised.

Member Investment Choices

The Fund now offers members three investment options, a Growth portfolio, a Balanced portfolio and a Conservative portfolio. Attached is a brochure setting out factors members should take into account in choosing their portfolio.

The Growth portfolio has the highest expected returns but is expected to be the most volatile while the Conservative portfolio has the lowest expected returns but is expected to be the least volatile. As a general rule, the Growth portfolio is suited to members with a time frame for their investment of 10 years or more, the Balanced portfolio is suited to a timeframe of three to ten years and the Conservative portfolio is suited to a time frame of three years or less.

Based on the Growth portfolio being generally suited to members with a longer- timeframe, the Trustees recently decided the default option for new members will be the Growth portfolio until age 60 when members will be switched to the Balanced portfolio. The choice of portfolio is still a matter for members and, of course, members can switch to another portfolio at any time.

Any member who wishes to switch portfolios should complete the form available on the website (https://maritimeretirementscheme.nz/scheme-investments/) or contact Maria Kane at maritime@mjw.co.nz

Retirement Income Projector

The Fund has developed a Retirement Income Projector (RIP) for members age 55 and over to project their account balance when they retire and the regular income which their retirement savings will support taking into account their other savings and funds which members may wish to set aside for other purposes.

The aim of the RIP is for members to assess whether their retirement savings are sufficient to provide them with the income they will need to meet their living costs in retirement. The RIP is also designed to test the effects on members' account balances and retirement income of members increasing their contribution rates and deferring their retirement.

This new system will be rolled out initially to all members aged 55 and over to apply the RIP to each member's personal circumstances and thereafter, the RIP will be available to members at ages 55 and 60. A separate note is being prepared for sending to members with this offer and it will be entirely for each member whether they wish to use this new service for their own personal financial planning in retirement.

The RIP is being adapted for retiring members and deferred members to decide the monthly income to draw from their account balance. This will depend on how long they plan for their savings to last to minimise the risk of their savings running out before they (and their spouse) die.

Members who wish to set aside some of their benefits for purposes other than providing themselves with a regular income will be able to set up an account separate from their main account or, alternatively, the funds providing a regular income and the funds you wish to set aside for other purposes can be managed within a single fund. Deferred members will be able to re-work the retirement income which their account balance will support annually depending on how their account balance fluctuates with the earnings of their portfolio and their withdrawals.

David Young, Chairman