



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

ANNUAL REPORT 2021

**DEFENCE FORCE
SUPERANNUATION SCHEME**

**A FORCE FOR
NEW ZEALAND**

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SCHEME SNAPSHOT

AS AT 31 MARCH 2021



2,914
members



\$131,764
average member balance



\$384 million
invested



194
Prezzy Card winners across
our savings schemes



67
home purchases

MESSAGE FROM THE CHIEF OF DEFENCE FORCE

This year was another good one for the Defence Force Superannuation Scheme (the Scheme). While the Scheme is closed to new members it was pleasing to see funds under management grow by \$57.74 million. The Scheme and member's balances also bounced back from the Covid-19 related downturn of early 2020, with relatively strong growth across most portfolios.

The Scheme's funds were subject to changes made to investments, including introduction of those intended to deliver more environmental or social benefits. We will all benefit from a stronger focus on sustainable investments longer-term.

The Scheme continued to be at the forefront of our goal of having a financially secure and capable Defence Community. The year saw close collaboration between NZDF and Mercer, as well as our preferred financial advice service, Milestone Direct Ltd, on a range of activities to help deliver this goal.

Retirement preparedness remains at the forefront of these activities. The recent Treasury report on the long term sustainability of the cost of national superannuation highlights the importance of us all being financially prepared for retirement. Mercer advises that over 65% of members have opened up their latest membership statement which includes powerful information to help with member retirement planning. This year's NZDF wide retirement preparedness survey was expanded to include broader financial security and capability issues, and was well received. Survey findings will be published later this year.

There were also a range of expos, presentations and financial capability programmes aimed at informing Defence Community members about money management and investments, as well as the range of benefits available through the Force Financial Hub. The Scheme's monthly reports provided a regular commentary on performance throughout the year and the Mercer Superfacts and Milestone Direct Ltd sites also added to the resources available on money management.

Once again the Scheme was also able to assist members to buy their first homes. It is appreciated that housing affordability is putting strains on household finances in some regions and it is pleasing to see that 67 members were able to make a home purchases. Members interested in using their funds to purchase their first home may find out more information about this on the Force Financial Hub or by contacting Mercer or Milestone Direct Ltd.

Recently, decisions have been made in respect of the Scheme's Category A and C Reserve Accounts, which are intended to provide a lasting benefit for affected members. Members will be advised in writing of those decisions in the near future.



Air Marshal Kevin Short
Chief of Defence Force



NZDF LOOKING AFTER YOUR FINANCIAL WELLBEING

This annual report covers the Defence Force Superannuation Scheme, one of three NZDF Savings Schemes. 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.nzdfsavings.mil.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 force4families.mil.nz/force-financial-hub or Google the Force 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.nzdfsavings.mil.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.nzdfsavings.mil.nz.



Financial Advice from Milestone Direct

As a member of the Defence community you can get general advice about the Defence Force Superannuation Scheme and other NZDF investments, 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 on matters such as financial planning for your retirement. To access the Milestone Direct website go to www.milestonedirect.co.nz.



WHAT RETIREMENT LIFESTYLE DO YOU WANT?

The gap between how much money retirees receive from NZ Super and how much they spend is growing. Many retirees today top up their NZ Super to maintain the lifestyle they want. The Retirement Expenditure Guidelines (as at 30 June 2020) found that most New Zealanders' aspire to and achieve a better standard of living in retirement than can be supported by NZ Superannuation.

This report splits the level of expenditure into 'No Frills' and 'Choices'. The 'No Frills' guidelines offer a basic standard of living that includes few, if any, luxuries. The 'Choices' guidelines represent a more comfortable standard of living, which includes some luxuries or treats.

It also takes into account and splits the expenditure depending on whether you are a city dweller, or are living in a rural location.

Key findings in this report

The New Zealand Retirement Expenditure Guidelines as at 30 June 2020.

Weekly NZ Super Rates (after tax)*	ONE-PERSON HOUSEHOLDS		TWO-PERSON HOUSEHOLDS	
	Metro	Provincial	Metro	Provincial
Total Weekly Expenditure				
No Frills Budget	\$693.30	\$576.70	\$827.70	\$714.70
Choices Budget	\$983.60	\$1067.00	\$1408.00	\$1126.90

*Weekly superannuation rates have been updated to reflect the rates at 1 April 2021.



Technology to help you get sorted.

SECTION 1:

DETAILS OF SCHEME

Name of the scheme:

Defence Force Superannuation Scheme

Type of scheme: Legacy Superannuation Scheme

Manager: Mercer (N.Z.) Limited

Supervisor: Trustees Executors Limited

Status of the Scheme:

The Scheme is closed to new members.

The Scheme fund updates:

A fund update for each of the seven investment funds for the year ended 31 March 2021 was made publically available on 30 June 2021.

Financial statements and auditors' 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 2020 to 31 March 2021 and were authorised for issue by the manager, Mercer (N.Z.) Limited, on 27 July 2021.

The auditor's report on those financial statements was dated 28 July 2021. The auditors' report did not refer to any fundamental uncertainty, nor was it qualified or modified in any respect.

SECTION 2:

INFORMATION ON CONTRIBUTIONS AND SCHEME PARTICIPANTS

All of the membership and other information in this section is shown for the year ended 31 March 2021.
At 1 April 2020, the total amount of members' accumulation relating to 3,037 members was \$326,220,738.
At 31 March 2021, the total amount of members' accumulation relating to 2,914 members was \$383,961,289.

MEMBERSHIP DETAILS	CONTRIBUTING MEMBERS	NON-CONTRIBUTING MEMBERS	TOTAL NUMBER OF MEMBERS
Number of members at 1 April 2020	2,113	924	3,037
Plus			
New members			0
Transfers from other schemes			0
Total new members			0
Less			
Retirement			8
Death			0
Transfers to other schemes			46
Other reasons			69
Total exits			123
Number of members at 31 March 2021	1,996	918	2,914

CONTRIBUTIONS

Contributions are what helps you grow your retirement savings. Contributions to your account can come from you, NZDF and the Government (if applicable).

CONTRIBUTIONS RECEIVED DURING THE YEAR ENDED 31 MARCH 2021

TYPE	NUMBER OF MEMBERS	TOTAL AMOUNT
Member contributions	2,120	\$10,911,610
Member voluntary additional contributions	68	\$738,485
Employer or other sponsor contributions		
Employer contributions	2,121	\$13,573,681
Government contributions	591	\$293,707
Total contributions		\$25,517,483

SECTION 3:

CHANGES RELATING TO THE SCHEME

Trust Deed

There were no amendments to the Trust Deed during the year.

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 year.

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.

The Statement of Investment Policy and Objectives of the Scheme

During the year the Statement of Investment Policy and Objectives (SIPO) was updated to reflect changes made to the benchmark ranges, asset allocations and target real returns and investment time frames for the multi-sector funds and was dated 31 August 2020. Subsequent to the year end, the SIPO was updated on 30 June 2021 to reflect the change of the trustee of Mercer Investment New Zealand (MITNZ). Mercer implements the investment strategy for the Scheme by investing the Scheme's assets in MITNZ. The manager of the MITNZ is Mercer and Mercer Investments (New Zealand) Limited was the trustee until 30 June 2021 and Trustees Executors Limited is the trustee from 1 July 2021.

SECTION 4:

OTHER INFORMATION FOR PARTICULAR TYPES OF MANAGED FUNDS

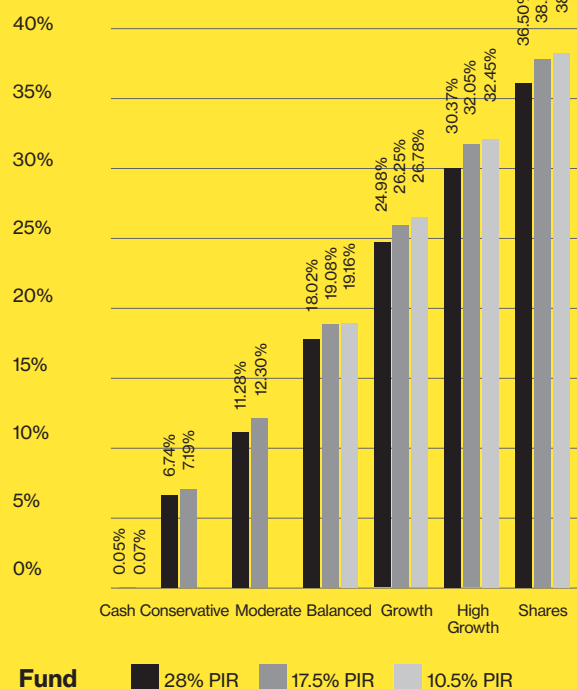
Explaining Returns

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 you.

Please go online to purl.co.nz/pir_nzdf and check that you have the correct tax rate selected for your savings. The Cash, Conservative and Moderate options for the 10.5% PIR did not have funds invested for the full period.

One year returns as at 31 March 2021 (after tax and fees)



You can find up to date performance information by visiting www.nzdfsavings.mil.nz.

Note: The investment returns are shown after deducting fund fees (but excluding any applicable other charges) and after tax at the Prescribed Investor Rate (PIR) noted. Your individual return can differ from these returns depending on the unit price applicable to each contribution or withdrawal you have made and how long they have been invested, as well as what proportion of each fund you may have selected to invest in. Returns represent past performance only and are not an indication or guarantee of future performance.

How your investment earnings are worked out

Contributions made to the Defence Force Superannuation Scheme are used to purchase what are known as 'units' in your chosen investment option(s). The number of units that your money purchases depends on the unit price at the time of purchase. For example, if \$1,000 is contributed 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 at www.nzdfsavings.mil.nz at any time.

UNIT PRICES

FUNDS	1 APRIL 2020*			31 MARCH 2021		
	28% PIR	17.5% PIR	10.5% PIR	28% PIR	17.5% PIR	10.5% PIR
Shares	1.2452	1.2755	1.2510	1.6997	1.7630	1.7346
High Growth	1.2227	1.2435	1.3380	1.5941	1.6421	1.7723
Growth	1.1918	1.2112	1.1422	1.4895	1.5291	1.4481
Balanced	1.1902	1.2097	1.2182	1.4048	1.4405	1.4516
Moderate	1.1518	1.1619	1.1100	1.2817	1.3048	1.2272
Conservative	1.1354	1.1546	1.1155	1.2119	1.2377	1.1789
Cash	1.0596	1.0687	0.0000**	1.0601	1.0694	0.0000**

* Opening price as at 1 April 2020 is the closing price on 31 March 2020.

**The Cash option did not have any members during the year at 10.5% PIR.

Are you in the right scheme fund choice?

Will your nest egg last as long as you do?

Can your mortgage be repaid years faster?

Are you on track to achieve major life goals?

A financial adviser from Milestone Direct can help you answer the questions above, and more. Free-call **0508 645 378** or email info@milestonedirect.co.nz

Milestone
Direct

WITHDRAWALS

Generally, Category A and C members' savings are locked in until you leave the NZDF (including from regular force to the reserves), when you can then access your savings or keep them in the Scheme. Upon leaving the regular force, Category B members' funds must remain in the complying section of the Scheme or can be transferred to a KiwiSaver scheme. There are some circumstances where members of all categories can withdraw their money sooner. These are:



Purchase of a first home

You may be able to withdraw some of your savings to put towards buying your first home. You may also be able to purchase a home if you owned a property before.



Significant financial hardship

You may be allowed to make a withdrawal from your account if the supervisor is satisfied that you are or are likely to suffer financial hardship.



Serious illness

If you are suffering a serious injury, illness or disability, you may be able to make a withdrawal from your account.

Please note that there are a number of conditions that apply to each of the types of withdrawals discussed above.

FULL WITHDRAWALS MADE DURING THE YEAR ENDED 31 MARCH 2021

TYPE	NUMBER OF MEMBERS
Leaving service / resignation	65
Death	0
Transfers to other KiwiSaver schemes	46
Permanent emigration	1
Retirement	8
Total and Permanent Disablement	0
Serious Illness	3
Total withdrawals	123

PARTIAL WITHDRAWALS MADE DURING THE YEAR ENDED 31 MARCH 2021

TYPE	NUMBER OF MEMBERS
Partial withdrawals	523
Financial hardship	7
First home withdrawal	67
Partial transfer to a KiwiSaver scheme	2
Matrimonial	4
Retirement	0
Serious Illness	0
Total withdrawals	603

Additional complying superannuation fund disclosures for the Category B section of the Scheme as at 31 March 2021:

- the market value of the DFSS's assets subject to complying fund rules is \$68,192,494.46 relating to 1,386 members; and
- the value of withdrawals subject to complying fund rules totals \$4,922,830.50

MANAGER'S ANNUAL STATEMENT

As the manager of the Defence Force Superannuation Scheme, we confirm that for the period ended 31 March 2021:

- all the benefits required to be paid from the scheme in accordance with the terms of the governing document have been paid;
- the market value of the scheme property at 31 March 2021 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.

Martin Lewington
Mercer (N.Z.) Limited
30 July 2021

SUPERVISOR'S ANNUAL STATEMENT

As the supervisor of the Defence Force Superannuation Scheme, we confirm that for the period ended 31 March 2021:

- all contributions required to be made to the scheme were made in accordance with the terms of the governing documents.

Trustees Executors Limited
30 July 2021

SECTION 5:

CHANGES TO PERSONS INVOLVED IN THE SCHEME

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

There was a change to the key personnel of the manager:

- Ronan McCabe was appointed as Chief Investment Officer on 1 February 2021

There were changes to the directors of the supervisor during the year:

- Richard Klipin was appointed as a director on 1 May 2020

There were changes to the directors of the manager during the year:

- Benjamin Jon Cossart Walsh (appointed 1 June 2015), resigned 30 April 2020
- David Clifford Bryant was appointed 1 November 2020
- David Lawrence McKeown (appointed 17 August 2018), resigned 31 March 2021

Since year end:

- Emily Jane O'Brien (Executive Director) was appointed on 18 June 2021

SECTION 6:

HOW TO FIND FURTHER INFORMATION

Information relating to the Defence Force Superannuation Scheme, the offer register and the scheme register can be found at

www.disclose-register.companiesoffice.govt.nz.

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

The offer register includes fund updates.

Information relating to the scheme, such as fund updates, the annual report and other useful information is available at **www.nzdfsavings.mil.nz**.

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 7:

CONTACT DETAILS AND COMPLAINTS

Contact details for the manager:

Mercer (N.Z.) Limited
PWC Tower, 15 Customs Street West
PO Box 105591
Auckland 1143
Telephone: 0800 333 787

Supervisor's contact details:

Trustees Executors Limited
Level 11, 51 Shortland Street
PO Box 4197
Auckland 1010
Telephone: 0800 878 783

Inquiries and Privacy Officer's contact details:

Mercer (N.Z.) Limited
Attn: Privacy Officer
PWC Tower, 15 Customs Street West
PO Box 105591
Auckland 1143
Telephone: 0800 333 787

In the first instance, please direct any complaints about your investment to Mercer at:

Mercer (N.Z.) Limited
PWC Tower, 15 Customs Street West
PO Box 105591, Auckland 1010
Attn: Inquiries and Privacy Officer
Telephone: 0800 333 787
Email: feedbacknz@mercerc.com

If Mercer are unable to resolve your complaint, you may choose to contact the supervisor at:

Trustees Executors Limited
Level 11, 51 Shortland Street, Auckland 1010
PO Box 4197, Auckland 1010
Attn: Client Manager – Corporate Trustee Services
Telephone: 0800 878 783

Mercer is a member of the Insurance and Financial Services Ombudsman Scheme (IFSO Scheme) and the supervisor is a member of Financial Services Complaints Limited (FSCL), both of which are independent dispute resolution schemes.

If you have made a complaint to Mercer and the complaint cannot be resolved, then you may refer it to the IFSO subject to certain conditions being met.

Office of IFSO Scheme
Level 2, Solnet House
70 The Terrace, Wellington
PO Box 10-845, Wellington 6143
Telephone: 04 499 7612 or 0800 888 202
Facsimile: 04 499 7614
Email: info@ifso.nz

The IFSO will not charge a fee to any complainant to investigate or resolve a complaint. Further information about referring a complaint to the IFSO can be found at www.ifso.nz.

If you have made a complaint to the supervisor, and it has not been resolved, you can refer it to FSCL at:

Level 4, 101 Lambton Quay, Wellington
PO Box 5967, Wellington 6140
Telephone: 0800 347 257
Email: complaints@fscl.org.nz

The FSCL will not charge a fee to any complainant to investigate or resolve a complaint. Further information about referring a complaint to FSCL can be found at www.fscl.org.nz.

Note that different procedures apply when making a complaint to the IFSO and FSCL. Full details can be obtained at their respective websites.

CONNECT

In order to make sure you have all the facts you can also:



Call us on 0800 333 787



Visit the Force Financial Hub website



Speak to New Zealand Defence Force



Speak to a financial adviser on
0508 MILESTONE (0508 645 378)

Mercer (N.Z.) Limited is the manager of the Defence Force Superannuation Scheme 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. It is also recommended that you obtain advice from an appropriately qualified financial adviser. You should be aware that the value of an investment in the Defence Force Superannuation Scheme may rise and fall from time to time. Neither Mercer, nor Trustees Executors Limited, New Zealand Defence Force, Milestone Direct Limited, MMC nor any member of the worldwide Marsh & McLennan Companies guarantees the investment performance, earnings or return of capital invested in any of the Defence Force Superannuation 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.