



10 YEARS OF KIWISAVER



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



NEW ZEALAND
DEFENCE FORCE
KIWISAVER SCHEME
ANNUAL REPORT 2017

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SECTION ONE

DETAILS OF SCHEME

Name of the scheme:

New Zealand Defence Force KiwiSaver Scheme

Type of scheme: KiwiSaver

Manager: Mercer (N.Z.) Limited

Supervisor: Trustees Executors Limited

Product disclosure statement:

The current product disclosure statement for the scheme is dated 30 September 2015 and is open for applications.

Fund updates:

A fund update for each of the seven investment funds for the quarter ended 30 June 2017 was made publically available on 28 July 2017.

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 2016 to 31 March 2017 and were authorised for issue by the manager, Mercer (N.Z.) Limited, on 24 July 2017.

The auditor's report on those financial statements was dated 24 July 2017. The auditors' report did not refer to any fundamental uncertainty, nor was it qualified or modified in any respect.



MESSAGE FROM THE CHIEF OF DEFENCE FORCE

The 2016 / 2017 year has seen the New Zealand Defence Force savings schemes grow, and our members are benefiting from the services and features of our Force Financial Hub. The year in politics has been eventful, both in New Zealand and globally, yet despite these challenging times your savings have continued to grow. Now is a great time to reflect on what we were able to achieve together and start planning for the year ahead.

Celebrating 10 years of KiwiSaver

As you can see from the cover of this Annual Report, KiwiSaver is celebrating its 10th anniversary this year. With around 2.7 million New Zealanders enjoying the benefits of KiwiSaver, including more than 10,000 members of the Defence community, I am proud to see you celebrate this success by being a part of the New Zealand Defence Force KiwiSaver Scheme.

During the year the scheme has more than doubled its membership and savings grew by \$27.5 million. It is also great to see our members benefiting from the ability to buy their first homes and I congratulate 35 members of the scheme who were able to move into their new homes during the year.

Performance and commitment to socially responsible investment

All investment funds continue to deliver strong returns and as reported by Morningstar, a global researcher, four out of five diversified funds delivered returns above the median (middle range of performance), with the more aggressive funds delivering returns in the top 25% (upper quartile) when compared to other providers.

This year a lot of attention has been given to socially responsible investing and Mercer's sustainable investment approach is likely to create and preserve long-term investment capital. It is great to see Mercer's commitment to this policy and their recent decision made in consultation with NZDF to divest from companies which potentially could cause harm to society and the environment.

Our commitment to you

KiwiSaver fees have also featured in the media this past year, so it is worth mentioning that the scheme is very transparent when it comes to fees. You will see fees disclosed as a dollar amount in your annual statements. There are no hidden charges.

This annual report covers all the legal information the scheme must report each year, but to ensure you can access additional information if required and be able to do it on the go we've upgraded our Force Financial Hub. This website is getting more than 2,000 hits a month, so if you haven't checked it out yet simply Google Force Financial Hub to access additional content.

Once again I am proud to be delivering an annual report to you. I personally want to thank you for being a part of the Defence Force savings programme and I look forward to seeing your savings grow.

Lieutenant General Tim Keating
Chief of Defence Force

SCHEME **SNAPSHOT**

AS AT 31 MARCH 2017



2,447
members



\$18,968
average member balance



\$46,415,832
invested



192
Prezzy Card winners across
our savings schemes



35
first home purchases



NZDF LOOKING AFTER YOUR FINANCIAL WELLBEING

This annual report covers the New Zealand Defence Force KiwiSaver Scheme, one of three savings schemes available to members of NZDF. 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.nzdf.superfacts.co.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. www.nzdf.mil.nz/families/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.nzdf.superfacts.co.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.nzdf.superfacts.co.nz.



► Financial Advice from Milestone Direct.

As a member of the Defence community you can get general advice about the New Zealand Defence Force KiwiSaver Scheme, 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. To access the Milestone Direct website go to nzdf.milestonedirect.co.nz



SECTION TWO

INFORMATION ON CONTRIBUTIONS AND SCHEME PARTICIPANTS

All of the membership and other information in this section is shown for the year ended 31 March 2017.

At 1 April 2016, the total amount of members' accumulation relating to 1,117 members was \$18,943,698.67.

At 31 March 2017, the total amount of members' accumulation relating to 2,447 members was \$46,415,832.34.

MEMBERSHIP DETAILS	CONTRIBUTING MEMBERS	NON-CONTRIBUTING MEMBERS	TOTAL NUMBER OF MEMBERS
Number of members at 1 April 2016	984	133	1,117
PLUS			
New members			661
Transfers from other schemes			738
Transfers from Australian super schemes			3
Total new members			1,402
LESS			
Retirement			0
Death			0
Transfers to other schemes			61
Other reasons			11
Total exits			72
Number of members at 31 March 2017	2,250	197	2,447

CONTRIBUTIONS

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

HOW CONTRIBUTIONS WORK

- ▶ If you are a member of the NZDF, you'll be most likely contributing 4% of your before-tax NZDF salary or wages. If you are a member of the Defence Community, you will be contributing 3%, 4% or 8% from your before-tax salary or wages.
- ▶ You can also make voluntary additional contributions directly to your New Zealand Defence Force KiwiSaver Scheme account from your online banking. This is great if you are self-employed or are on a contributions holiday and want to maximise your member tax credits. This is also an option available for children in the scheme.
- ▶ NZDF contributes 4% of your before-tax salary or wages (rules apply). If you are employed by someone else, the minimum your employer is required to contribute is 3%, although they may also contribute at other rates. An employer only needs to contribute to your scheme account if you are contributing from your pay.
- ▶ The Government may contribute to your account through member tax credits, if you're eligible.

CONTRIBUTIONS RECEIVED DURING THE YEAR ENDED 31 MARCH 2017

TYPE	NUMBER OF MEMBERS	TOTAL AMOUNT
Member contributions	2,046	\$4,632,036.34
Member voluntary additional contributions		\$17,975,404.45
General member voluntary additional contributions	99	\$122,245.96
Transfers-in contributions	879	\$17,603,041.01
Transfers-in contributions from Australian super funds	6	\$250,117.48
Employer or other sponsor contributions		\$3,746,098.57
Employer contributions	1,977	\$3,180,247.45
Member tax credits	1,299	\$565,851.12
TOTAL CONTRIBUTIONS		\$48,075,042.38

SECTION THREE

CHANGES RELATING TO THE SCHEME

Trust Deed The Trust Deed for the scheme is dated 16 September 2015. 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.

The Statement of Investment Policy and Objectives
A section on risks was removed as key risks have been summarised in a separate document called Risk Summary available at www.companiesoffice.govt.nz/disclose and benchmark indices were updated to reflect index name changes.

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.

SECTION FOUR

OTHER INFORMATION FOR A KIWISAVER SCHEME

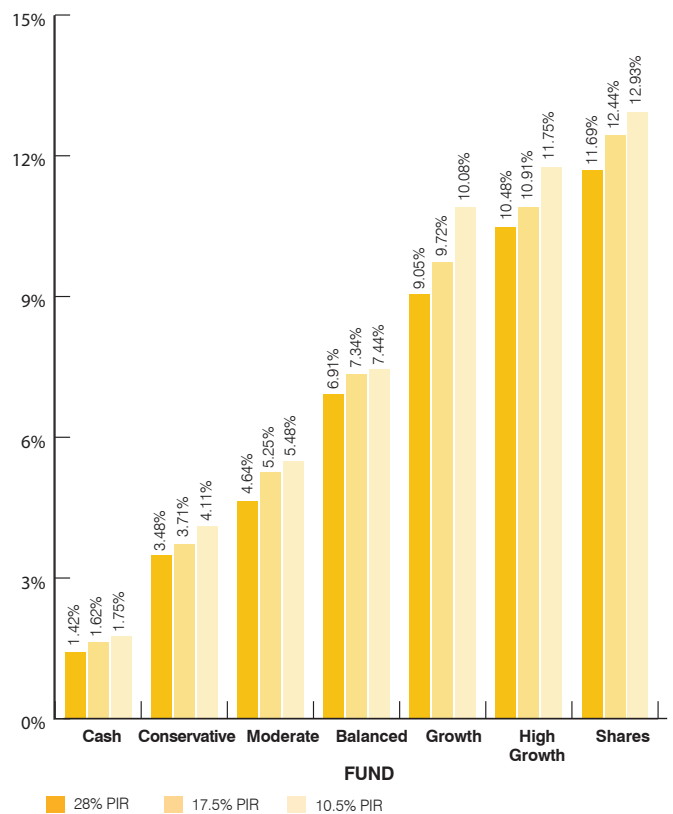
Explaining Returns

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.

Please go online to www.nzdf.superfacts.co.nz and check that you have the correct tax rate selected for your savings.

1 year returns as at 31 March 2017 (after tax and fees)



The investment returns are shown after fund fees (excluding membership fees) and after tax at the Prescribed Investor Rate (PIR) indicated.

It's important to note that the investment returns shown don't tell you how the investment options will perform in the future and that past performance is not a reliable indicator of future performance.

Your individual returns within an investment portfolio will depend on timing of contribution payments and actual fees charged, allowing for any fee rebates. The returns shown are therefore indicative of investment results but may differ from the actual after fees and tax returns achieved by you.



You can find updated performance information by visiting www.nzdf.superfacts.co.nz.

UNIT PRICES

Funds	1 April 2016*			31 March 2017		
	28% PIR	17.5% PIR	10.5% PIR	28% PIR	17.5% PIR	10.5% PIR
Shares	0.9853	1.0045	0.991	1.1005	1.1294	1.1191
High Growth	1.0076	1.0057	0.9976	1.1133	1.1155	1.1147
Growth	0.9953	1.0035	1.0008	1.0854	1.101	1.1017
Balanced	1.0114	1.0071	1.0065	1.0813	1.081	1.0814
Moderate	1.006	1.0098	1.0201	1.0526	1.0628	1.0761
Conservative	1.0092	1.0135	1.024	1.0443	1.0512	1.066
Cash	1.0051	1.002	1.0033	1.0194	1.0182	1.0209

*Opening price as at 1 April 2016, is the closing price on 31 March 2016.

HOW YOUR INVESTMENT EARNINGS ARE WORKED OUT

Contributions made to the New Zealand Defence Force KiwiSaver 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.nzdf.superfacts.co.nz at any time.

Need help?

Milestone Direct advisers can help you choose the right investment option for your circumstances. Please contact Milestone Direct on **0508 MILESTONE (0508 645 378)** or email them at info@milestonedirect.co.nz.

WITHDRAWALS

Generally, KiwiSaver savings are locked in until you have been a KiwiSaver member for at least five years and are aged 65 or older. You can then access your savings. At that time you can choose to make regular monthly withdrawals, partial withdrawals or withdraw the full amount.

There are some circumstances where members can withdraw their money earlier than at retirement. These are:



Purchase of a first home After you have been a KiwiSaver member for three years you may be able to withdraw some of your savings to put towards buying your first home.



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



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



Permanent emigration and transfers to Australian superannuation schemes If you permanently emigrate from New Zealand to any country other than Australia, you may be able to make a withdrawal from your account. If you permanently move to Australia, you can only transfer your savings to an Australian superannuation scheme.

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

WITHDRAWALS MADE DURING THE YEAR ENDED 31 MARCH 2017

TYPE	NUMBER OF MEMBERS
Retirement	0
Transfers to other KiwiSaver schemes	61
Other benefits	10
Death and serious illness	1
Significant financial hardship	2
First home withdrawal	35
Permanent emigration	0
Transfers to Australian superannuation schemes	0
TOTAL WITHDRAWALS	109

MANAGER'S ANNUAL STATEMENT

As the manager of the New Zealand Defence Force KiwiSaver Scheme, we confirm that for the period ended 31 March 2017:

- ▶ all the benefits required to be paid from the scheme in accordance with terms of the governing document and the KiwiSaver scheme rules have been paid;
- ▶ the market value of the scheme property at 31 March 2017 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
31 July 2017

SECTION FIVE

CHANGES TO PERSONS INVOLVED IN THE SCHEME

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

There were no changes to the key personnel or the directors of the manager during the year.

There was a change to the directors of the supervisor. Peter Metz 'stepped down' (resigned) as director on 6 May 2016 and Paul Hocking 'stepped down' (resigned) as a director on 7 December 2016.

SECTION SIX

HOW TO FIND FURTHER INFORMATION

Information relating to the New Zealand Defence Force KiwiSaver Scheme, for the offer register and the scheme register can be found at www.companiesoffice.govt.nz/disclose.

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

The offer register includes the product disclosure statement for the scheme, information relating to membership and the funds within the scheme. It also includes fund updates and other material information.

Information relating to the scheme, such as fund updates, the annual report, the current product disclosure statement and other useful information is available at www.nzdf.superfacts.co.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 SEVEN

CONTACT DETAILS AND COMPLAINTS

Contact details for the Manager:

Mercer (N.Z.) Limited
151 Queen Street
PO Box 105591
Auckland 1143
Telephone: 0800 333 787

Supervisor's contact details:

Trustees Executors Limited
Level 7, 51 Shortland Street
PO Box 4197
Auckland 1140
Telephone: 0800 809 962

Inquiries and Privacy Officer's contact details:

Mercer (N.Z.) Limited
Attn: Privacy Officer
151 Queen Street
PO Box 105591
Auckland 1143
Telephone: 0800 333 787

Please direct any complaints about your investment to Mercer at:

Mercer (N.Z.) Limited

151 Queen Street
PO Box 105591
Auckland 1143
Attn: Inquiries and Privacy Officer
Telephone: 0800 333 787
Email: NZ.Privacy@mercer.com

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

Trustees Executors Limited

Level 7, 51 Shortland Street
PO Box 4197
Auckland 1140
Attn: Client Services Manager - Governance & Investor Oversight
Telephone: 09 308 7100
Mercer is a member of the Insurance and Financial Services

Ombudsman Scheme (IFSO) and the supervisor is a member of Financial Services Complaints Limited (FSCL), both of which are approved dispute resolution schemes. The IFSO and FSL will not charge a fee to any complainant to investigate or resolve a complaint.

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

You can contact:

- | | |
|-----------------|-----------------|
| ▶ IFSO | ▶ FSCL |
| PO Box 10-845 | PO Box 5967 |
| Wellington 6143 | Wellington 6145 |
| 0800 888 202 | 0800 347 257 |

CONNECT

Help is just a click or a call away. We would love to hear from you.

PHONE

0800 333 787

We are here between 9am and 7pm,
Monday to Friday or leave us a message
and we'll call you back.

EMAIL

nzdf@mercer.com

POST

New Zealand Defence Force KiwiSaver Scheme
PO Box 1849
Wellington, 6140

Disclaimer

Mercer (N.Z.) Limited is the Manager of the New Zealand Defence Force KiwiSaver 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, and the KiwiSaver Act 2006. 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, and read and consider the current product disclosure statement. It is also recommended that you obtain advice from an authorised financial adviser. A copy of the current product disclosure statement is available on the website www.nzdf.superfacts.co.nz or by calling the Helpline on 0800 333 787. You should be aware that the value of an investment in the New Zealand Defence Force KiwiSaver Scheme may rise and fall from time to time. Neither Mercer, nor Trustees Executors Limited, New Zealand Defence Force, Milestone Direct Limited, MMC Inc. nor any member of the worldwide Marsh and McLennan Group of Companies guarantees the investment performance, earnings or return of capital invested in any of the New Zealand Defence Force KiwiSaver 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.