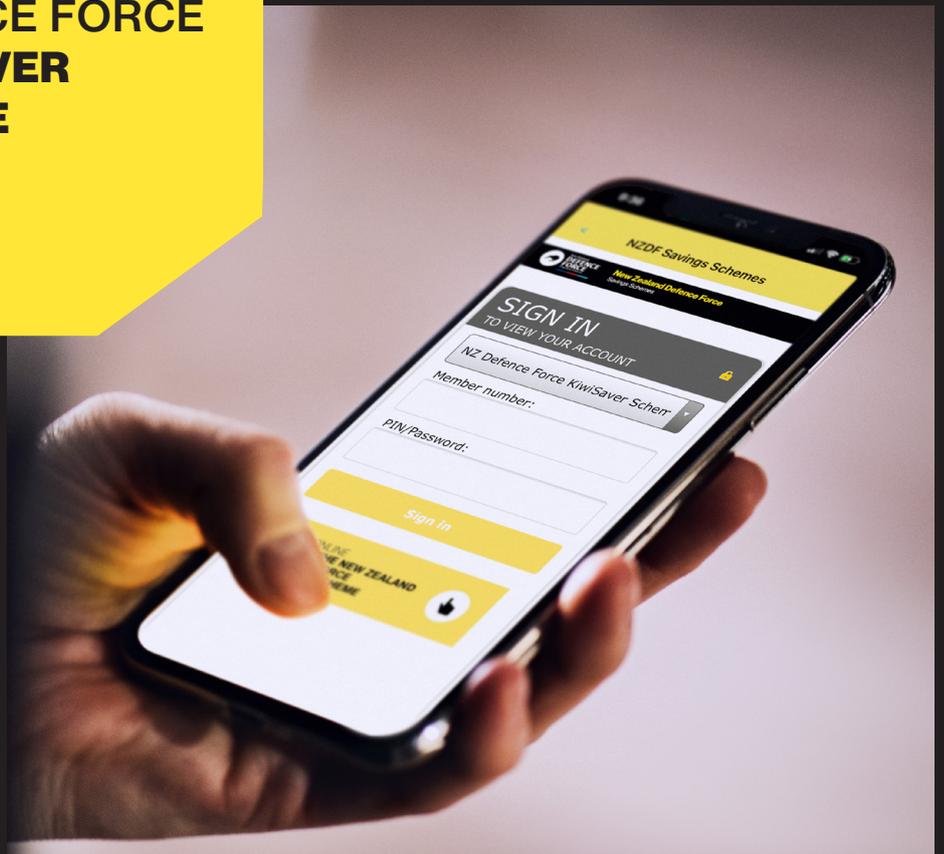




New Zealand
**DEFENCE
FORCE**
Te Ope Kātua O Aotearoa

ANNUAL REPORT 2019

**NEW ZEALAND
DEFENCE FORCE
KIWISAVER
SCHEME**



**A FORCE FOR
NEW ZEALAND**

KiwiSaver
Poua he Oranga

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SCHEME SNAPSHOT

AS AT 31 MARCH 2019



4,142
members



\$25,907
average member balance



\$107,308,492
invested



\$50,000
in rewards given out to members
of three NZDF Savings Schemes
during the year.



109
first home purchases

MESSAGE FROM THE CHIEF OF DEFENCE FORCE

I am pleased to present the New Zealand Defence Force ("NZDF") KiwiSaver Scheme Annual Report for the year ended 31 March 2019.

The Year in Review

We saw global and local share markets go up and down several times over the year. At times it felt like a roller-coaster. It was pleasing to see all investment options return positive results for another year. It is evident that while economic conditions around the world do not seem too bad, there are a number of areas that have the potential to disrupt this positive growth. Trade-tensions between US and China, ongoing Brexit discussions with no action and the record low interest rates both in New Zealand and around the globe are likely to keep investment returns reasonably subdued compared to previous years.

First Home Buyers

During the year, the Scheme has assisted 109 members with buying their first (or second chance) home. Congratulations, it is a great achievement! For those of you considering getting on the property ladder, please reach out to the Milestone Direct team for help with finding the right home mortgage lender for you. The team have access to many providers and can do a lot of the ground work on your behalf. Also have a conversation with Mercer who manage the withdrawal applications about the process and things you need to have ready prior to applying.

Investing Responsibly

Mercer who looks after your money, is committed to sustainable and ethical investment.

As one of the largest fund managers globally, Mercer strongly believes in engaging companies your money is invested in as it provides an opportunity to communicate the respective values of Mercer and the NZDF. This provides them with the opportunity to change their internal processes.

Mercer is one of a number of managers who have engaged social media companies to ensure they take more responsibility in their duty of care to prevent harm to users and society. You can read more information about Mercer's Responsible Investment policy on the website www.nzdf.superfacts.co.nz.

Thank you

I would like to thank those who participated in the retirement preparedness campaign and survey which ran in May and June this year. It is important for all of us, regardless of our age, to think about what sort of retirement we wish to have and how prepared we are. Your answers help us take further action which supports you with your investment and savings efforts.

NZDF's financial capability programme, is part of the Force Financial Hub and it provides NZDF members and their families with the tools to make the best financial decisions.

I would like to also thank the key service providers who support our members.



Air Marshal Kevin Short
Chief of Defence Force



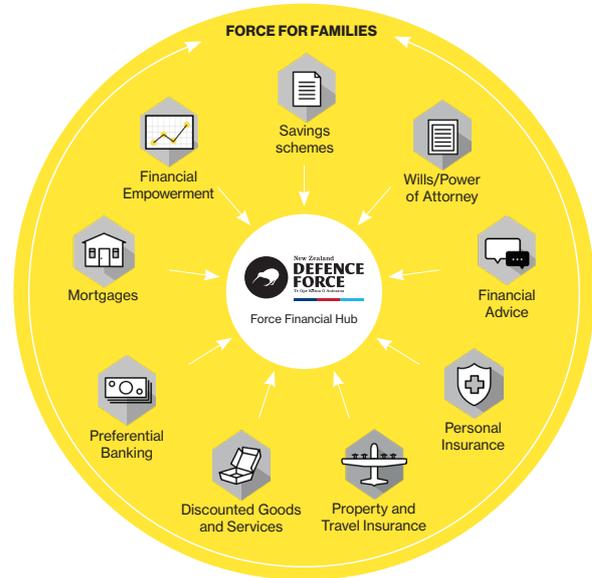
NZDF LOOKING AFTER YOUR FINANCIAL WELLBEING

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/ or Google the Force Financial Hub.



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.



The Retirement Income Simulator

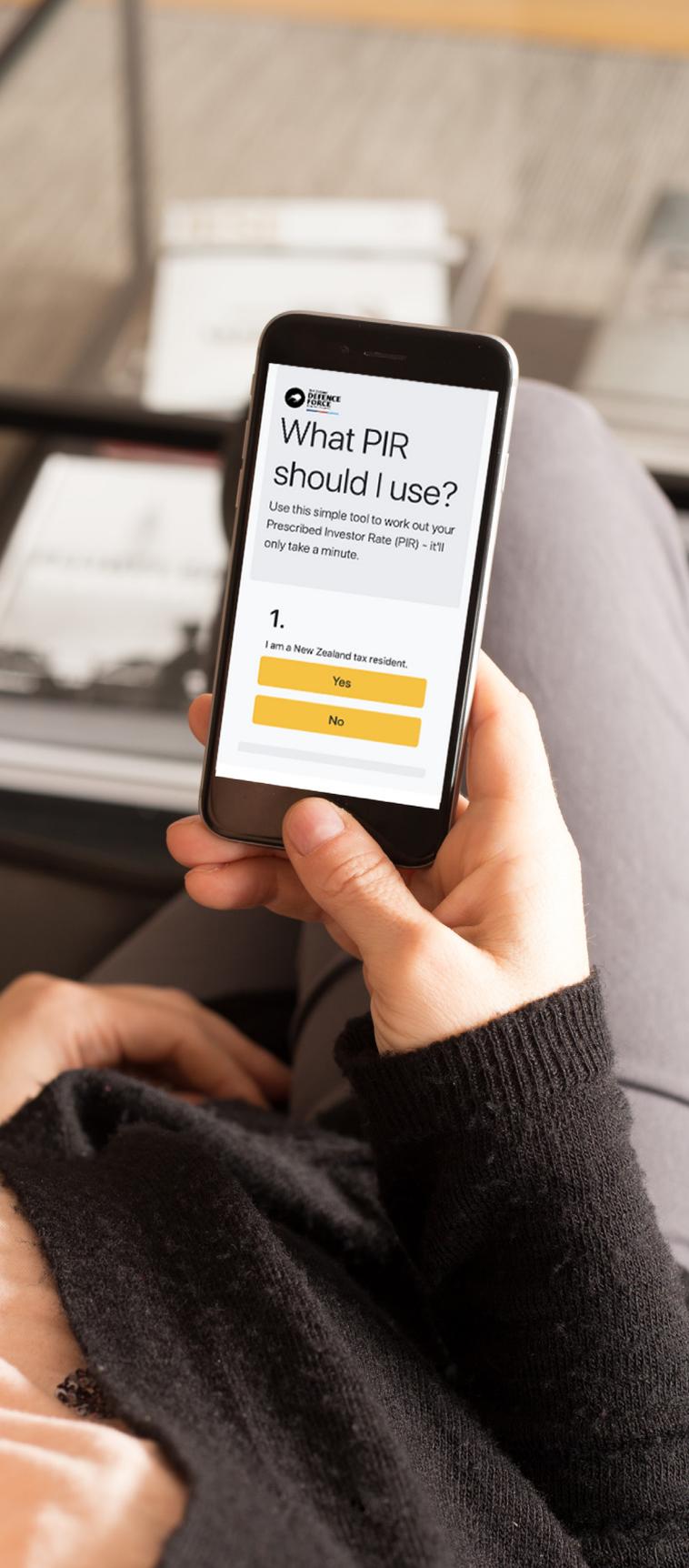
is provided to plan for your retirement and keep your plan on track. Sign in to your personal account at www.nzdf.superfacts.co.nz to check out this tool.



Financial Advice from Milestone Direct.

You can get general advice about the New Zealand Defence Force KiwiSaver Scheme, and other NZDF investments. If you wish, personalised advice and recommendations tailored to your individual situation are also available. To access the Milestone Direct website go to nzdf.milestonedirect.co.nz.





**Technology
to help you
get sorted.**

SECTION 1:

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 28 November 2018 and is open for applications.

Fund updates:

Fund updates for each of the seven investment funds for the quarter ended 30 June 2019 were made publically available on 26 July 2019.

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 2018 to 31 March 2019 and were authorised for issue by the manager, Mercer (N.Z.) Limited, on 26 July 2019.

The auditor's report on those financial statements was dated 29 July 2019. 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 2019.

At 1 April 2018, the total amount of members' accumulation relating to 3,361 members was \$74,213,361.

At 31 March 2019, the total amount of members' accumulation relating to 4,142 members was \$107,308,492.

MEMBERSHIP DETAILS	CONTRIBUTING MEMBERS	NON-CONTRIBUTING MEMBERS	TOTAL NUMBER OF MEMBERS
Number of members at 1 April 2018	3,108	253	3,361
Plus			
New members			363
Transfers from other schemes			588
Total new members			951
Less			
Retirement			8
Death			2
Transfers to other schemes			152
Other reasons			8
Total exits			170
Number of members at 31 March 2019	3,821	321	4,142

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%, 6%, 8% or 10% 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 the Government Contribution, if you're eligible.

CONTRIBUTIONS RECEIVED DURING THE YEAR ENDED 31 MARCH 2019

TYPE	NUMBER OF MEMBERS	TOTAL AMOUNT
Member contributions	3,995	\$12,533,109
Member voluntary additional contributions		\$13,447,011
Member voluntary contributions	180	\$573,930
Transfers-in contributions	666	\$12,873,081
Employer or other sponsor contributions		\$9,533,301
Employer contributions	3,850	\$7,871,298
Government contributions	3,511	\$1,662,003
Total contributions		\$35,513,421

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

Changes were made to the Statement of Investment Policy and Objectives (SIPO), which included:

- an update to indices for natural resources, unlisted infrastructure and unlisted property;
- amended benchmark asset allocation for overseas shares and overseas share low volatility;
- updates to the target net real rates of return objectives and addition of gross real rates of return objectives.

SECTION 4:

OTHER INFORMATION FOR A KIWISAVER SCHEME

Explaining Returns

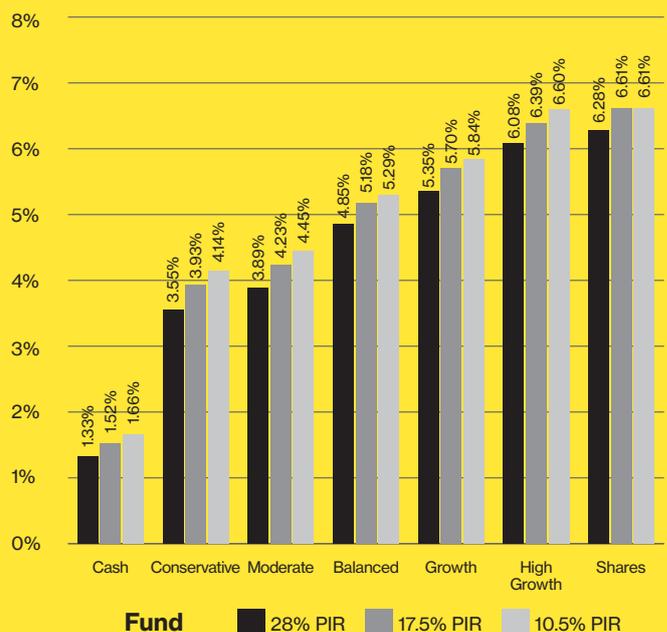
The investment returns for each investment option provided by the scheme are shown after all investment fees and taxes have been deducted.

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 you.

Please go online to purl.co.nz/pir_nzdf and check that you have the correct tax rate selected for your savings.

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.

One year returns as at 31 March 2019 (after tax and fees)



You can find up to date performance information by visiting www.nzdf.superfacts.co.nz.

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 balance. You can also view unit prices by signing into your account at www.nzdf.superfacts.co.nz at any time.

UNIT PRICES

TYPE	1 APRIL 2018*			31 MARCH 2019		
	28% PIR	17.5% PIR	10.5% PIR	28% PIR	17.5% PIR	10.5% PIR
Shares	1.2210	1.2558	1.2493	1.2977	1.3389	1.3319
High Growth	1.2150	1.2229	1.2240	1.2889	1.3010	1.3048
Growth	1.1693	1.1921	1.1950	1.2318	1.2601	1.2648
Balanced	1.1491	1.1531	1.1551	1.2048	1.2127	1.2162
Moderate	1.1004	1.1142	1.1310	1.1431	1.1613	1.1813
Conservative	1.0807	1.0909	1.1086	1.1190	1.1337	1.1544
Cash	1.0326	1.0334	1.0374	1.0464	1.0491	1.0546

* Opening price as at 1 April 2018 is the closing price on 31 March 2018.

Need help?

Milestone Direct advisers can help you choose the right investment option for your circumstances, ensure you achieve your goals, and assist with financial planning for your retirement. Please contact Milestone Direct on **0508 MILESTONE (0508 645 378)** or email them at info@milestonedirect.co.nz.

Milestone
Direct

LIFE IS
A JOURNEY.
GET GOOD
DIRECTIONS

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 2019

TYPE	NUMBER OF MEMBERS
Retirement	13
First home withdrawal	109
Death and serious illness	2
Significant financial hardship	6
Permanent emigration	2
Transfers to other KiwiSaver schemes	152
Other Benefits	3
Leaving service/ resignation	
Total withdrawals	287

MANAGER'S ANNUAL STATEMENT

As the manager of the New Zealand Defence Force KiwiSaver Scheme, we confirm that for the period ended 31 March 2019:

- 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 2019 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 2019

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 no changes to the key personnel of the manager.

Changes to the directors of the manager during the year:

- Peter Cameron resigned as a Director 18 August 2018;
- David McKeown was appointed a Director on 17 August 2018.

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

- Franceska Banga resigned as a Director on 5 April 2018;
- Matthew Sale was appointed as a Director on 17 May 2018;
- Robert Russell resigned as a Director on 17 May 2018;
- Andrew Scott-Howman resigned as a Director on 15 June 2018;
- Mark Darrow was appointed as a Director on 18 June 2018;
- Sarah Roberts was appointed as a Director on 16 July 2018;
- David Neidhart resigned as a Director on 28 February 2019.

SECTION 6:

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.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 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 7:

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: Complaints Officer
Telephone: 0800 333 787
Email: NZDF@mercerc.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 Manager
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

PO Box 10-845
Wellington 6143
0800 888 202

FSCL

PO Box 5967
Wellington 6140
0800 347 257

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



Read the Product Disclosure Statement for the New Zealand Defence Force KiwiSaver Scheme



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 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 nor any member of the worldwide Marsh & McLennan 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.

www.nzdf.superfacts.co.nz | 0800 333 787