



TE OPE KĀTUA O AOTEAROA
DEFENCE FORCE

New Zealand Defence Force KiwiSaver Scheme

2022

ANNUAL REPORT



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Scheme snapshot

As at 31 March 2022



5,459
members



\$38,766

average member balance



\$212 million

invested



194

Prezzy Card winners across our savings schemes



218

first home purchases

Message from the Chief of Defence Force

The NZDF and Mercer are committed to delivering value to you. The year to 31 March 2022 ended on a challenging note for investment markets, which affected KiwiSaver schemes including the New Zealand Defence Force KiwiSaver Scheme (the Scheme). Performance in investment markets, especially during the last quarter, was impacted by market reaction to supply chain issues resulting from COVID-19, as well as concerns over removal of quantitative easing by the Central Banks, used to prop up economies during the worst periods of the pandemic, rising inflation and interest rates. In February, markets also reacted to the Russian invasion of Ukraine.

The unprovoked Russian hostilities threw the spotlight on the Russian holdings held by the NZDF Savings Schemes. Even though the holdings involved were insignificant, my advisers from the NZDF quickly determined it was no longer appropriate for our schemes to continue with those investments. The Chief People Officer's (CPO's) team worked with Mercer (N.Z.) Limited, the Scheme's Manager and I am pleased to report that Mercer has removed Russian holdings and implemented an exclusion on all Russian securities across its investment portfolios.

During the year, Mercer removed the administration fee recognising growing membership and made a reduction in fund charges, resulting from the removal of the underlying performance based fees and reduced general expenses. The Scheme's Supervisor, Trustees Executors Limited, also reduced its fees during the year.

The Scheme is unique in that it is the only employer sponsored-scheme under the KiwiSaver framework. Recent market research shows that with 93% of members actively contributing, the NZDF Scheme has the second highest ratio of members contributing across 36 KiwiSaver Schemes. This is impressive and reflects your commitment to investing for your first homes and retirement.

This also reflects the ongoing collaborative effort made by all the contributors to the Force Financial Hub, who worked with the NZDF in continuing to educate and inform. Mercer, the Retirement Commission, and Become Wealth, NZDF's preferred financial advice and mortgage broker service all continued to provide valued support to the Defence community.

The challenges faced by many aspirant first homeowners increased during the year for a variety of reasons. Nonetheless, this year saw 218 Scheme's members use their funds to buy their first home.

I am proud that this year the Scheme achieved a Gold rating for delivering value for money by an independent research group, SuperRatings. The SuperRatings Gold Award is given to KiwiSaver providers delivering strong value for money to members across a range of criteria including performance, fees and services.

It is now almost seven years since the launch of the New Zealand Defence Force KiwiSaver Scheme and the Force Financial Hub. The Force Financial Hub is here to help you build your financial capability and security and that of your household, encouraging use of the NZDF Savings Schemes and other benefits and tools. Progress has been made to date, but there is more we can all do together. In recognition of this, CPO's portfolio has developed a framework to drive future financial wellbeing initiatives and identify gaps in the support currently provided to Defence households.



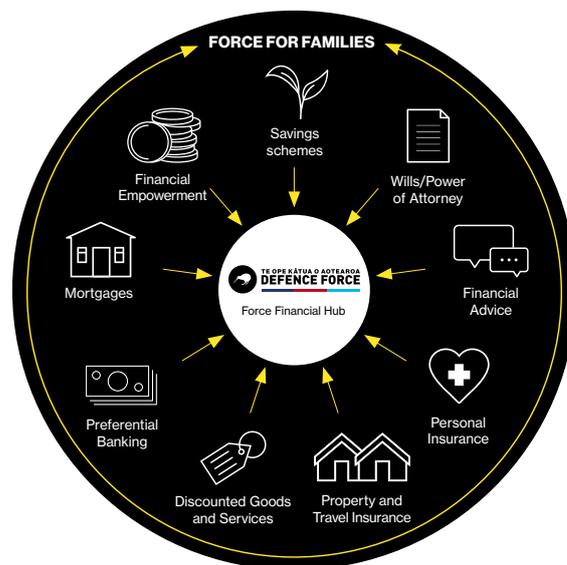
K.R. Short
Air Marshal
Chief of Defence Force

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.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.



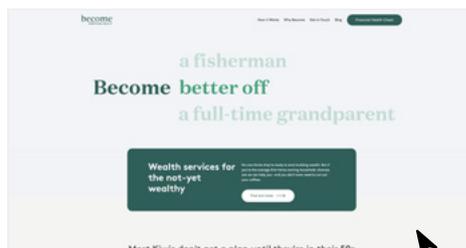
The Retirement Income Simulator

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 Become.nz

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 Become.nz website go to www.become.nz.

What retirement lifestyle do you want?

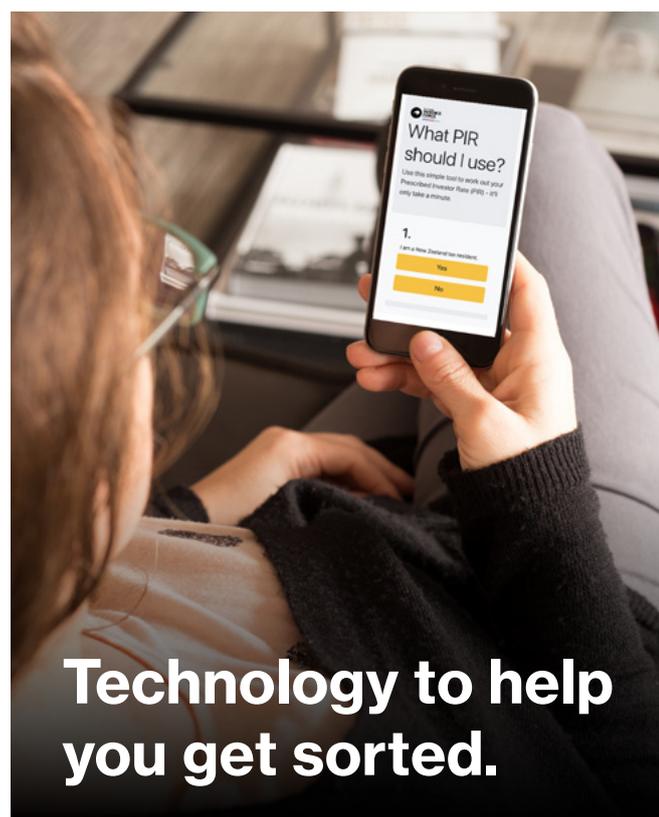
The gap between how much money retirees receive from NZ Super and how much they spend is growing. Many retirees today top up their NZ Super to maintain the lifestyle they want. The latest Retirement Expenditure Guidelines (as at 30 June 2021) referenced an event where someone commented that “New Zealanders are sleepwalking into retirement”. Since retirement is a significant life event it is important to financially prepare and plan. 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 2021.

Weekly NZ Super Rates (after tax)*	One-person households		Two-person households	
	Metro	Provincial	Metro	Provincial
Weekly NZ Super Rates (after tax)*		\$462.94		\$712.22
Total Weekly Expenditure	Metro	Provincial	Metro	Provincial
No Frills Budget	\$726.19	\$604.92	\$864.94	\$746.81
Choices Budget	\$1,028.89	\$1,116.23	\$1,470.26	\$1,176.14

*Weekly superannuation rates have been updated to reflect the rates at 1 April 2022.



Technology to help you get sorted.

01

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 14 March 2022 and is open for applications.

Fund updates:

Fund updates for the seven investment funds for the quarter ending 30 June 2022 were made publicly available on 28 July 2022.

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 2021 to March 2022 and were authorised for issue by the manager, Mercer (N.Z.) Limited, on 26 July 2022.

The auditor's report on those financial statements was dated 26 July 2022. The auditors' report did not refer to any fundamental uncertainty, nor was it qualified or modified in any respect.

02

Information on contributions and scheme participants

All of the membership and other information in this section is shown for the year ended 31 March 2022. At 1 April 2021, the total amount of members' accumulation relating to 5,259 members was \$185,929,915. At 31 March 2022, the total amount of members' accumulation relating to 5,459 members was \$211,624,784.

Membership details	Contributing members	Non-contributing members	Total number of members
Number of members at 1 April 2021	4,897	362	5,259
Plus			
New members			249
Transfers from other schemes			268
Total new members			517
Less			
Retirement			7
Death			5
Transfers to other schemes			293
Other reasons			12
Total exits			317
Number of members at 31 March 2022	4,882	577	5,459

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 suspension and want to maximise your Government Contribution. 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 2022

Type	Number of members	Total amount
Member contributions	5,277	\$19,893,773
Member voluntary additional contributions		\$10,447,274
Member voluntary contributions	366	\$2,225,594
Transfer-in contributions	333	\$8,221,680
Employer or other sponsor contributions		\$13,042,711
Employer contributions	5,300	\$10,568,075
Government contributions	5,027	\$2,474,636
Total contributions		\$43,383,758

03

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 changes to the terms of offer of interests in the scheme during the year. On 1 October 2021, the dollar based administration fee was removed for all members.

Related Party Transactions

During the year to 31 March 2022, 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

The SIPO was updated on 30 June 2021 to reflect the change of the trustee of Mercer Investment Trusts 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.

The SIPO was subsequently updated on 14 March 2022 to reflect the removal of unlisted infrastructure and unlisted property and the corresponding increase in the listed infrastructure and listed property asset allocations. Dynamic Asset Allocation (DAA) references have been removed as well as benchmarks for unlisted infrastructure, unlisted property and commodities.

04

Other information for particular types of managed funds

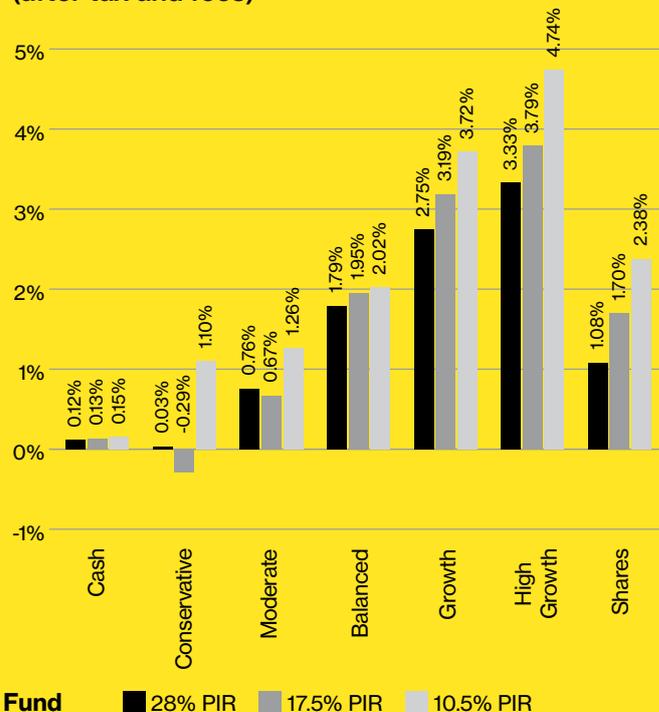
Explaining Returns

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.

One year returns as at 31 March 2022 (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 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.nzdfsavings.mil.nz at any time.

Unit prices

Type	1 April 2021*			31 March 2022		
	28% PIR	17.5% PIR	10.5% PIR	28% PIR	17.5% PIR	10.5% PIR
Shares	1.6402	1.7044	1.7017	1.6578	1.7333	1.7422
High Growth	1.5694	1.6003	1.6114	1.6216	1.6609	1.6878
Growth	1.4566	1.5036	1.5159	1.4966	1.5515	1.5723
Balanced	1.3766	1.3986	1.4054	1.4013	1.4259	1.4338
Moderate	1.2644	1.2870	1.3188	1.2739	1.2956	1.3354
Conservative	1.1986	1.2261	1.2526	1.199	1.2226	1.2663
Cash	1.0566	1.0607	1.0675	1.0579	1.0621	1.0691

* Opening price as at 1 April 2021 is the closing price on 31 March 2021.

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 Become.nz can help you answer the questions above, and more. Free-call 0508 232 663 or email hello@become.nz.

become^{NZ}
REDEFINING WEALTH



Withdrawals

Generally, you'll only be able to access your KiwiSaver funds once you reach the qualifying age for NZ Super, currently age 65, or – if you joined after you turned 60 – once you've been a member for 5 years. For those who join KiwiSaver after 1 July 2019, the 5 years lock-in period may not apply. 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.



Life-shortening congenital conditions

If you have a life-shortening congenital (existing from your date of birth) condition, you may be eligible to withdraw all or part of your savings. The listed conditions are Down syndrome, cerebral palsy, Huntington's disease or fetal alcohol spectrum disorder.



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 2022

Type	Number of members
Retirement	29
First-Home Withdrawal	218
Death and Serious Illness	6
Significant Financial Hardship	6
Permanent Emigration	2
Permanent Emigration to Australia	1
Transfers to other KiwiSaver Schemes	293
Other Benefits	10
Total withdrawals	565

Manager's annual statement

As the manager of the New Zealand Defence Force KiwiSaver Scheme, we confirm that for the period ended 31 March 2022:

- 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 2022 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
26 July 2022

05

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 were no changes to key personnel of the manager and to the directors of the supervisor during the year.

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

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

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How to find further information

Information relating to the New Zealand Defence Force KiwiSaver 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 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.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.



07

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 1040
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@mercer.com

Mercer may discuss your complaint with the supervisor.

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
PO Box 4197, Auckland 1040
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



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 BECOME (0508 232 663)

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 appropriately qualified financial adviser. A copy of the current product disclosure statement is available on the website www.nzdfsavings.mil.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, Become Wealth Limited, Marsh McLennan nor any members 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.