



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

# ANNUAL REPORT 2020

**DEFENCE FORCE  
SUPERANNUATION SCHEME**

**A FORCE FOR  
NEW ZEALAND**

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## SCHEME SNAPSHOT

AS AT 31 MARCH 2020

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**3,037**  
members

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**\$107,415**  
average member balance

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**\$326,220,738**  
invested

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**194**  
Prezzy Card winners across  
our savings schemes

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**91**  
home purchases

# MESSAGE FROM THE CHIEF OF DEFENCE FORCE

I am proud of the Defence Force Superannuation Scheme (DFSS) and its importance to our personnel when it comes to saving for retirement. Whilst the DFSS has had a challenging year, there was strong growth for most of the year and the NZDF continues to provide access to competitive and compliant superannuation schemes that provide individual choice.

COVID-19 and its aftermath, has highlighted the importance for all of us to be prepared for the future. This year your annual statement for the DFSS includes a projection of what your funds will provide you in retirement income at age 65 through a 25 year period. This is a very powerful tool to help members plan for their retirement, and now is a good time to review your investment goals. If there is a gap, perhaps take advice on the options available to you to improve likely outcomes. Options include a change to your investment portfolio.

The amount of time you spend thinking about how you will fund your retirement will differ depending on the stage of life you are in, your family situation, and your 'financial literacy'. I know when I joined the RNZAF I was not spending much of my time thinking about what kind of lifestyle I wanted to have in the latter years of my life. I am grateful that the NZDF has aided me in preparing financially for my retirement. It is ironic that the best time to begin to prepare for your financial security during your retirement is at the very beginning of your working and earning life, so please find the time.

I congratulate the members of the DFSS on having the foresight to be thinking of your needs in retirement, and encourage you to continue to prepare so that you can enjoy the kind of retirement you desire.



**Air Marshal Kevin Short**  
Chief of Defence Force

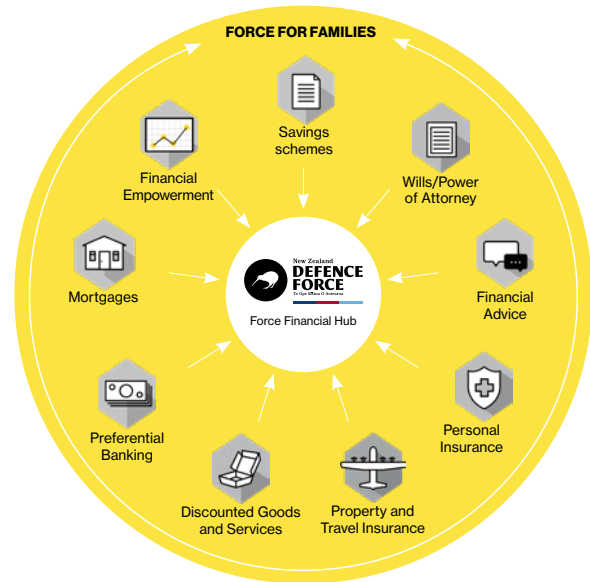


## NZDF LOOKING AFTER YOUR FINANCIAL WELLBEING

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.nzdf.superfacts.co.nz](http://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. **force4families.mil.nz/force-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](http://www.nzdf.superfacts.co.nz).



### The Retirement Income Simulator

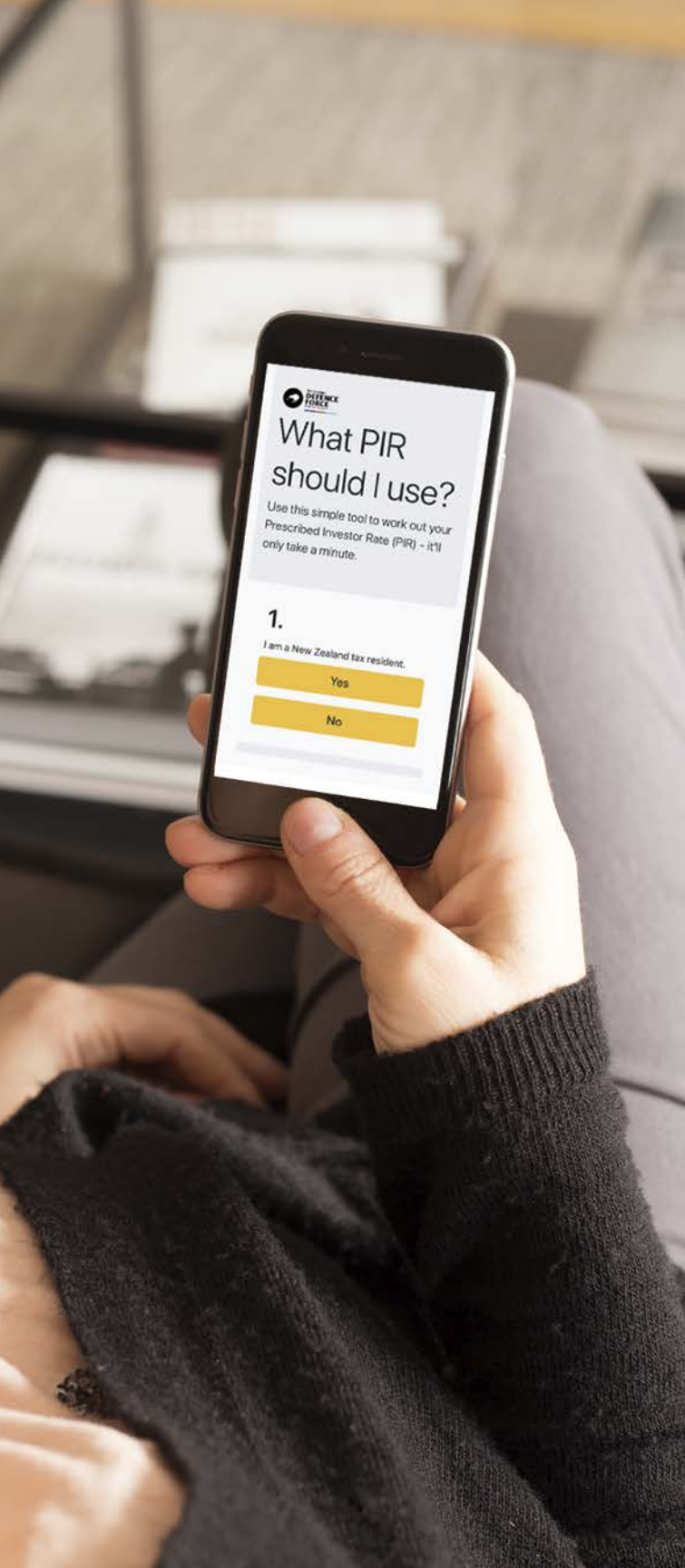
is provided to plan for your retirement and keep your plan on track. Sign in to your personal account at [www.nzdf.superfacts.co.nz](http://www.nzdf.superfacts.co.nz) to check out this tool.



### 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 [milestonedirect.co.nz](http://milestonedirect.co.nz).





**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 2020 was made publically available on 30 June 2020.

**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 2019 to 31 March 2020 and were authorised for issue by the manager, Mercer (N.Z.) Limited, on 24 July 2020.

The auditor's report on those financial statements was dated 27 July 2020. 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 2020.

At 1 April 2019, the total amount of members' accumulation relating to 3,251 members was \$347,777,071.

At 31 March 2020, the total amount of members' accumulation relating to 3,037 members was \$326,220,738.

MEMBERSHIP DETAILS	CONTRIBUTING MEMBERS	NON-CONTRIBUTING MEMBERS	TOTAL NUMBER OF MEMBERS
Number of members at 1 April 2019	2,314	937	3,251
Plus			
New members			0
Transfers from other schemes			0
<b>Total new members</b>			<b>0</b>
Less			
Retirement			15
Death			7
Transfers to other schemes			61
Other reasons			131
<b>Total exits</b>			<b>214</b>
Number of members at 31 March 2020	2,113	924	3,037

## 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 2020

TYPE	NUMBER OF MEMBERS	TOTAL AMOUNT
Member contributions	2,318	\$11,364,134
Member voluntary additional contributions	60	\$506,038
Employer or other sponsor contributions		
Employer contributions	2,367	\$14,343,908
Government contributions	630	\$315,824
<b>Total contributions</b>		<b>\$26,529,903</b>

## 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

20 February 2020, the Statement of Investment Policy and Objectives was updated to include further detail on derivatives, hedging and tax.

## SECTION 4:

# OTHER INFORMATION FOR PARTICULAR TYPES OF MANAGED FUNDS

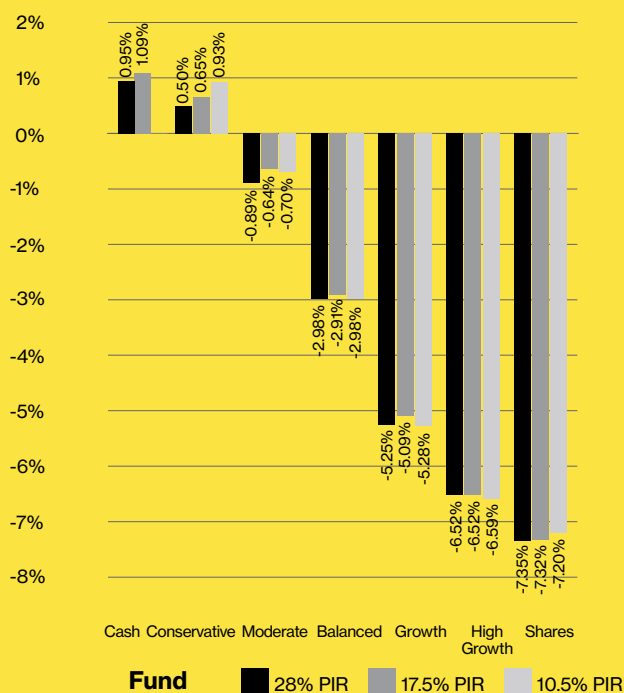
### Explaining Returns

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](http://purl.co.nz/pir_nzdf) and check that you have the correct tax rate selected for your savings. The Cash option for the 10.5% PIR did not have funds invested for the full period.

### One year returns as at 31 March 2020 (after tax and fees)



You can find up to date performance information by visiting [www.nzdf.superfacts.co.nz](http://www.nzdf.superfacts.co.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.nzdf.superfacts.co.nz](http://www.nzdf.superfacts.co.nz) at any time.

### UNIT PRICES

FUNDS	1 APRIL 2019*			31 MARCH 2020		
	28% PIR	17.5% PIR	10.5% PIR	28% PIR	17.5% PIR	10.5% PIR
Shares	1.3440	1.3763	1.3481	1.2452	1.2755	1.2510
High Growth	1.3080	1.3302	1.4324	1.2227	1.2435	1.3380
Growth	1.2579	1.2762	1.2058	1.1918	1.2112	1.1422
Balanced	1.2268	1.2460	1.2556	1.1902	1.2097	1.2182
Moderate	1.1621	1.1694	1.1178	1.1518	1.1619	1.1100
Conservative	1.1297	1.1471	1.1053	1.1354	1.1546	1.1155
Cash	1.0496	1.0571	0.0000	1.0596	1.0687	0.0000**

\* Opening price as at 1 April 2019 is the closing price on 31 March 2019.

\*\*The Cash option did not have any members at 31 March 2020, at 10.5% PIR.

#### Need help?

Milestone Direct advisers can help you choose the right investment option for your circumstances, plan your retirement, and ensure you are on track to achieve your goals. Please contact Milestone Direct on **0508 MILESTONE (0508 645 378)** or email them at [info@milestonedirect.co.nz](mailto:info@milestonedirect.co.nz).

Milestone  
Direct

LIFE IS A  
JOURNEY.  
GET GOOD  
DIRECTIONS



## 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 2020

TYPE	NUMBER OF MEMBERS
Leaving service / resignation	125
Death	7
Transfers to other KiwiSaver schemes	61
Permanent emigration	3
Retirement	15
Total and Permanent Disablement	2
Serious Illness	1
<b>Total withdrawals</b>	<b>214</b>

### PARTIAL WITHDRAWALS MADE DURING THE YEAR ENDED 31 MARCH 2020

TYPE	NUMBER OF MEMBERS
Partial withdrawals	631
Financial hardship	14
First home withdrawal	91
Partial transfer to a KiwiSaver scheme	1
Matrimonial	4
Retirement	0
Serious Illness	1
<b>Total withdrawals</b>	<b>742</b>

### Additional complying superannuation fund disclosures for the Category B section of the Scheme as at 31 March 2020:

- the market value of the DFSS's assets subject to complying fund rules is \$56,640,552 relating to 1,438 members; and
- the value of withdrawals subject to complying fund rules totals \$5,925,339

## MANAGER'S ANNUAL STATEMENT

**As the manager of the Defence Force Superannuation Scheme, we confirm that for the period ended 31 March 2020:**

- 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 2020 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 2020

## SUPERVISOR'S ANNUAL STATEMENT

**As the supervisor of the Defence Force Superannuation Scheme, we confirm that for the period ended 31 March 2020:**

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

Trustees Executors Limited  
31 July 2020

## 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 were no changes to the key personnel of the manager.

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

- Sarah Roberts resigned as a director on 2 October 2019
- Mark Darrow resigned as a director on 2 October 2019
- Ryan Bessemer was appointed as a director on 2 October 2019
- Victoria Grace was appointed as a director on 2 October 2019
- Graeme Kirkpatrick was appointed as a director on 2 October 2019
- Laurence Kubiak was appointed as a director on 25 October 2019
- Matthew Sale resigned as a director on 17 December 2019

#### Since year end:

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

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

- Kristen Jane Kohere-Soutar (appointed 7 August 2017, appointed as Chairperson 30 November 2019)
- Paula Elizabeth Jackson (appointed 1 February 2020)
- Ross Gregory Butler (appointed 1 January 2013, resigned 29 November 2019)

#### Since year end:

- Benjamin Jon Cossart Walsh (appointed 1 June 2015, resigned 30 April 2020)

## SECTION 6:

### HOW TO FIND FURTHER INFORMATION

Information relating to the Defence Force Superannuation Scheme, for the offer register and the scheme register can be found at [www.disclose-register.companiesoffice.govt.nz](http://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.nzdf.superfacts.co.nz](http://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 1010  
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

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

Mercer (N.Z.) Limited  
151 Queen Street  
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 7, 51 Shortland Street, Auckland 1010  
PO Box 4197, Auckland 1010  
Attn: Client Manager – Corporate Trustee Services  
Telephone: 09 308 7100

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](http://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:

4th Floor, 101 Lambton Quay, Wellington  
PO Box 5967, Wellington 6140  
Telephone: 0800 347 257  
Facsimile: 04 472 3728  
Email: complaints@fscl.org.nz

Further information about referring a complaint to FSCL can be found at [www.fscl.org.nz](http://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 Defence Force Superannuation 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 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 authorised 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.