



TE OPE KĀTUA O AOTEAROA
DEFENCE FORCE

New Zealand Defence Force KiwiSaver Scheme

2023

Annual Report



HEI MANA MŌ AOTEAROA
A FORCE FOR NEW ZEALAND

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Scheme snapshot

As at 31 March 2023



5,609

members



\$40,584

average member balance



\$228 million

invested



192

Prezzy Card winners across our savings schemes



137

first home purchases

Message from the Chief of Defence Force

Welcome to the Annual Report for the New Zealand Defence Force KiwiSaver Scheme for the year ended 31 March 2023.

8 years and counting

The New Zealand Defence Force KiwiSaver Scheme (Scheme) is currently in its eighth year and will be celebrating its eighth birthday in October.

The Scheme has grown from having no members and no retirement savings in 2015, to having 5,609 members and a total of \$228 million in funds under management. It was also great to see the average balance tick over the \$40,000 per member mark.

The Scheme remains the only employer provided KiwiSaver scheme in New Zealand, reflecting NZDF's ongoing commitment to the financial wellbeing of the Defence community.

A tough year for markets, means a tough year for KiwiSaver balances

The year has been a challenging one for the Scheme. Like many other superannuation and KiwiSaver schemes, investments have been adversely affected by the war in Ukraine and the impact of increased inflation and interest rates on both the domestic and international economies.

While the returns for the year are negative for most funds, it is important to remember that markets do go up and down, which is what we have been experiencing for the last few years. For many of us, this is a long-term investment, so remember what your goals and risk appetite are and if you're unsure, check out the Force Financial Hub which offers a range of tools and more importantly, access to financial advisers at Become Wealth as part of our offering.

Furthermore, don't forget that continuing to save regularly and investing while investment values decline, typically pays off over the longer-term.

Retirement preparedness is an important consideration for all of us, so take some time to understand what is impacting your investment and decide on the appropriate action to take. Sometimes, no action is the right action.

No woman left behind

An important goal for the NZDF is removal of gender fund imbalances across the NZDF Savings Schemes. In New Zealand, women on average have 80% of what men would have in retirement savings. Additionally, due to longer life expectancy, women are likely to have less secure retirements¹. There are a number of reasons for these differences, including because women are more likely to have absences from paid employment during their careers, and different approaches to investments. The NZDF is currently investigating several approaches we can undertake in the Diversity and Inclusion space to bridge the gap and are looking forward to sharing these with you in due course.

Congratulations on achieving your goals

The Scheme continued to support members in entering the housing market. This year, we had 137 members withdraw almost \$5.5 million to go towards buying their first property. Additionally, 38 members withdrew \$2 million for their retirement. It's great to see that we have 156 members who are over 65 and continue to use KiwiSaver to invest for their retirement. Congratulations!

Take a moment to find out more

I encourage you to take a moment to read this annual report and if you haven't already, your personal annual statement. It's available online when you sign in at www.nzdfsavings.mil.nz. These documents include important information about your account and Scheme's performance, including short and long-term returns. If you have any questions about these documents or your account, please give Helpline a call on 0800 333 787.

I would like to take this opportunity to thank all those across the NZDF and our partners for their ongoing commitment and contribution to the NZDF Savings Schemes. And, of course, thank you to all of you, as members of the Scheme, for partnering with us to deliver this offering.



K.R. Short
Air Marshal
Chief of Defence Force

¹ Review of Retirement Income Policies – NZ Retirement Commission – November 2022

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.



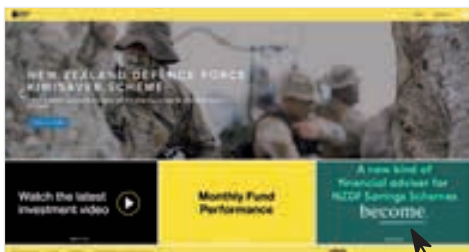
Force Financial Hub

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 Wealth

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 Wealth website, go to become.nz.

What retirement lifestyle do you want?

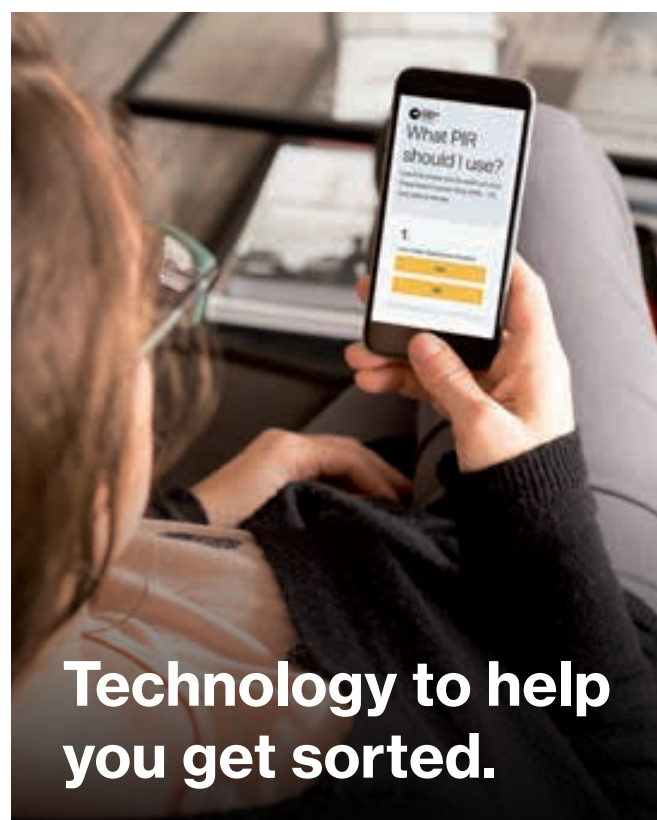
The gap between how much money retirees receive from NZ Super and how much they spend is growing. Many retirees today top up their NZ Super to maintain the lifestyle they want. The latest Retirement Expenditure Guidelines (as at 30 June 2022) referenced an event where someone commented that “New Zealanders 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 2022.

Weekly NZ Super Rates (after tax)*	One-person households		Two-person households	
	Metro	Provincial	Metro	Provincial
Total Weekly Expenditure				
No Frills Budget	\$781.07	\$650.34	\$931.17	\$800.38
Choices Budget	\$1,107.12	\$1,217.84	\$1,578.84	\$1,263.03

*Weekly superannuation rates have been updated to reflect the rates at 1 April 2023.



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 30 June 2023 and is open for applications.

Fund updates:

Fund updates for the seven investment funds for the quarter ending 30 June 2023 were made publicly available on 31 July 2023.

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 2022 to 31 March 2023 and were authorised for issue by the manager, Mercer (N.Z.) Limited, on 27 July 2023.

The auditor's report on those financial statements was dated 27 July 2023. 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 2023. At 1 April 2022, the total amount of members' accumulation relating to 5,459 members was \$211,624,784. At 31 March 2023, the total amount of members' accumulation relating to 5,609 members was \$227,635,512.

Membership details	Contributing members	Non-contributing members	Total number of members
Number of members at 1 April 2022	4,882	577	5,459
Plus			
New members			183
Transfers from other schemes			238
Total new members			421
Less			
Retirement			13
Death			1
Transfers to other schemes			231
Other reasons			26
Total exits			271
Number of members at 31 March 2023	4,979	630	5,609

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 2023

Type	Number of members	Total amount
Member contributions	5,347	\$20,065,229
Member voluntary contributions	239	\$620,809
Transfer-in contributions	279	\$6,298,512
Employer contributions	5,331	\$11,463,760
Government contributions	5,125	\$2,528,487
Total contributions		\$40,976,797

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.

Related Party Transactions

During the year to 31 March 2023, 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 on 31 March 2023 with minor updates.

04

Other information for particular types of managed funds

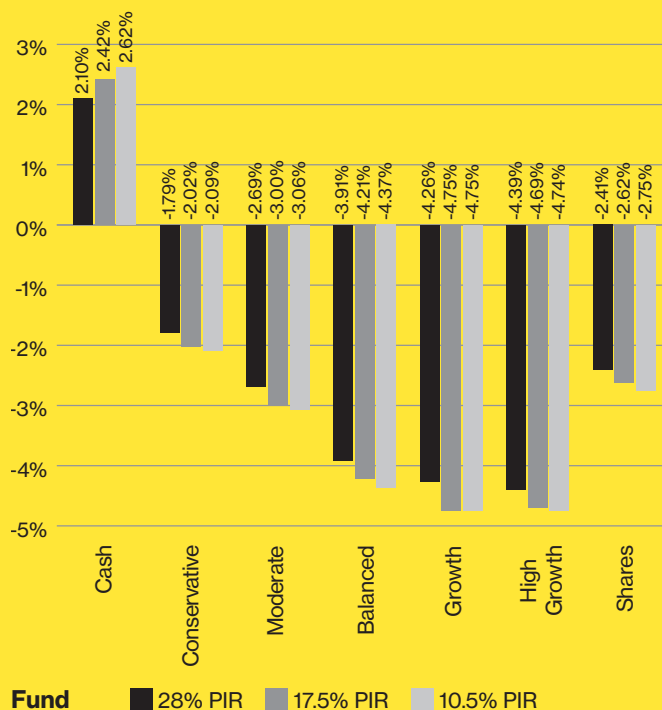
Explaining returns

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 2023 (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 2022*			31 March 2023		
	28% PIR	17.5% PIR	10.5% PIR	28% PIR	17.5% PIR	10.5% PIR
Shares	1.6578	1.7333	1.7422	1.6178	1.6879	1.6943
High Growth	1.6216	1.6609	1.6878	1.5504	1.583	1.6078
Growth	1.4966	1.5515	1.5723	1.4329	1.4778	1.4976
Balanced	1.4013	1.4259	1.4338	1.3465	1.3658	1.3711
Moderate	1.2739	1.2956	1.3354	1.2396	1.2567	1.2945
Conservative	1.199	1.2226	1.2663	1.1775	1.1979	1.2398
Cash	1.0579	1.0621	1.0691	1.0801	1.0878	1.0971

* Opening price as at 1 April 2022 is the closing price on 31 March 2022.

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

become
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 2023

Type	Number of members
Retirement	38
First-Home Withdrawal	137
Death and Serious Illness	2
Significant Financial Hardship	8
Permanent Emigration	7
Permanent Emigration to Australia	9
Transfers to other KiwiSaver Schemes	231
Other Benefits	12
Total withdrawals	444

Manager's annual statement

As the manager of the New Zealand Defence Force KiwiSaver Scheme, we confirm that for the period ended 31 March 2023:

- 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 2023 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
27 July 2023

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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 directors of the manager during the year, however since year end:

- Ross Butler was appointed as a director on 14 April 2023.

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

- Padraig Brown was appointed as Chief Investment Officer on 19 August 2022.

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

- Victoria Grace resigned as a director on 7 March 2023
- Ryan Bessemer resigned as a director on 12 December 2022
- Lawrence Kubiak resigned as a director on 12 December 2022
- Robert Kirkpatrick resigned as a director on 14 September 2022
- Keith Richards was appointed as a director on 12 December 2022
- Robert Russell was appointed as a director on 13 February 2023
- Kevin Wallace was appointed as a director on 5 October 2022

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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.



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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

Complaints 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 1143
Attn: Complaints 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.

www.nzdfsavings.mil.nz | 0800 333 787