

New Zealand  
Permit No. 2665

Permit 

NEW ZEALAND FIRE SERVICE  
SUPERANNUATION SCHEME



A N N U A L R E P O R T 2 0 1 1

**TRUSTEES**

**Appointed by the New Zealand Fire Service Commission**

Angela Foulkes from 05 January 2011  
 Peter Harris from 31 October 2010  
 Janine Hearn until 31 October 2010  
 Allan Kerrisk until 31 October 2010  
 Keith Taylor from 31 October 2010  
 Russell Wood until 05 January 2011

**Appointed by the New Zealand Professional Firefighters Union**

Denis Fitzmaurice  
 Stephen Warner  
 Ian Wright

**Independent Trustee appointed by the Trustees**

Tim McGuinness

**ADMINISTRATION**

**Accountant**

Kendons Chartered Accountants Ltd

**Administration Manager**

Mercer NZ Ltd

**Auditor**

Deloitte

**Investment Adviser**

Melville Jessup Weaver

**Investment Managers**

AMP Capital Investors Ltd  
 Direct Capital Ltd  
 Harbour Asset Management Limited  
 New Zealand Assets Management Ltd  
 OnePath (NZ) Ltd  
 Russell Investment Group Limited

**Scheme Secretary**

Barry Dent

**Solicitor**

DLA Phillips Fox

**ADMINISTRATOR CONTACT**

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The Trustees are pleased to bring you this Annual Report of your Superannuation Scheme. This report covers the year to the 31st March 2011. The year has seen the returns for members in most cases steadily increase in line with the general market conditions that prevail.

During the year the Scheme Sponsor, The New Zealand Fire Service Commission, commissioned a report into the Scheme. This report was initiated because the Commission needs to be sure that the scheme that they sponsor is being managed to an acceptable level and achieves the aims of the Commission.

The Report was carried out by Peter Harris, a consultant with a broad experience in economics and superannuation. At the completion of the report the Commission decided to seek feedback from members of the Scheme on some of the contents. The Trustees agreed to bring forward their normal member meetings held around the country to facilitate the report being circulated amongst members and to explain the contents.

A suitable feed-back form was available to all members of the Scheme via the NZFS intranet. Peter Harris, the author of the report, was available to attend some of the member meetings to explain the contents. At all of the other meetings Trustees were able to give members information on the report and on the feed-back sought.

At the time of writing this report the findings of the feed-back had just been delivered to the Trustees. After the Trustees have had time to digest the contents, decisions will be made on any changes that they deem appropriate.

As can be seen in other parts of this Annual Report there have been significant changes to the make-up of the Trustee group. The three NZFS appointed trustees have been replaced. This is in line with one of the findings of the report to the Commission.

I would like to thank the outgoing Trustees, Allan Kerrisk, Russell Wood and Janine Hearn for their dedication and efforts for our Scheme, some over a long period of time, and welcome Keith Taylor, Peter Harris and Angela Foulkes, to the Scheme. I would also like to thank the other Trustees and the providers of services for their continued efforts in managing our scheme.

During this year the ability of members being able to change their Member Investment Choice was enhanced with members being able to change once per year in any month. This has proved to be very successful. Members are making changes at times that suit them and timely alterations to the asset allocations have been made easier.

In closing I would recommend that you read this report. It contains information that is important to you regarding your retirement savings



**Steve Warner**  
 Chairman of Trustees

**Steve Warner**  
 Chairman of Trustees

This Report has been produced by the Trustees to provide you with an understanding of how the scheme has operated over the twelve months to 31 March 2011. It should be read in conjunction with the scheme's *Investment Statement* and the information available at [www.firesuper.co.nz](http://www.firesuper.co.nz)

Ring-fenced Cash Investment Choice net interest credited (%)	2.51
Cash Investment Choice net interest credited (%)	2.30
Conservative Investment Choice net interest credited (%)	5.51
Balanced Investment Choice net interest credited (%)	6.64
High Growth Investment Choice net interest credited (%)	6.23
New Members	58
Total Members	1770
New contributions (million)	\$ 15.414
Benefits paid (million)	\$ 9.644
<b>Scheme net assets (million)</b>	
01 April 2010	\$ 261.808
31 March 2011	\$ 283.408

The following commentary provides a brief review of some of the major events affecting investment markets until 31 March 2011.

### Markets

On the whole, the year to 31 March 2011 saw strong results from share markets. The MSCI World Index which measures developed countries' share markets rose 9.6% for the year (on a fully hedged basis). Top performing countries were Denmark, Hong Kong and Norway. Canada and the USA also saw strong results from their share markets with the S&P 500 (an index tracking US stocks) rising 13.4% over the year.

Unsurprisingly the poorest results came from Greece and Ireland which were bailed out by the International Monetary Fund and European Union in 2010. Japan fared badly too in the wake of March's catastrophic earthquake and tsunami. In the month of March alone the Nikkei 225 Index fell 8.2%, leading to a result of -12% for the year.

In general emerging markets performed better than developed markets over the year. In particular the Russian share market returned well over 25% for the year to March. China had a reasonable result; moderately ahead of the MSCI World Index.

The increase in investors' risk appetite saw an appreciation in the New Zealand dollar. It started the financial year at just under 71 US cents and rose to 76.3 US cents by 31 March 2011. This appreciation meant that the portion of investments that were exposed to currency movements (ie unhedged) had their returns reduced. For the MSCI World Index this reduced the return of 9.6% to 3.4% for the year.

The New Zealand share market had a more subdued result with the NZX50 index returning 6.6% for the year. The Australian S&P/ASX 200 index also struggled, eking out 3.4% over the twelve months. However the New Zealand dollar fell against its Australian counterpart and this added another 5% to the return received by unhedged investors in New Zealand.

After a strong start to the year, returns from the bonds sector tapered off as we moved into 2011. The global bond market (as measured by the Barclays Global Aggregate Index) rose 5.6% over the twelve months to 31 March 2011. The New Zealand market performed better with NZ Government Stock returning 6.9% and Corporate A Grade bonds returning 8.8%.



### Economies

The year saw the global economy continue its bumpy path of recovery from the global financial crisis. After the initial unified response to the crisis from Western governments, the year saw a divergence of policies. In the United States monetary and fiscal policy was kept very loose in an attempt to stimulate growth and boost employment. By the close of the year, we began to see traction as the unemployment rate dipped to 8.8% in March 2010 (from 9.7% in twelve months prior) and Gross Domestic Product rose by a fairly healthy 2.8% over the calendar year (in real terms).

By contrast, in Europe the mood was one of fiscal prudence and austerity. Concerned by the turmoil in Greece and Ireland (and the continuing worries in Portugal), many European countries were keen to show their commitment to reigning in spending and balancing their budgets. In United Kingdom, the harsh austerity measures met with fervent protests as Chancellor of the Exchequer, George Osborne, introduced his second budget.

In August 2010, the Chairman of the US Federal Reserve, Ben Bernanke, confirmed a second round of Quantitative Easing. This has the effect of pushing down interest rates to stimulate the economy. Speculation that the Fed was not yet done with its monetary stimulus led US Treasury interest rates to fall from March to November 2010. However, since then they have rebounded strongly. For instance, 5 year US Treasuries which had got as low as 1.0% rose to end the year at 2.2%. This reflects the sentiment that over the medium term the Fed will have to raise interest rates to reign in inflation.

We are in fact already seeing pockets of inflation emerge. The price of oil rose 27% over the year, partly fuelled by the political unrest that swept across the Middle East and Northern Africa. The price of gold also rose strongly, rocketing past US\$1,400 an ounce.

The rise in food prices is also causing concern amongst central bankers, especially in the developing world where a larger portion of personal income is spent on necessities. The BRIC club of large emerging market economies (Brazil, Russia, India and China) has been regularly tightening monetary policy in an attempt to control their economic growth.

Also of note, is that over the year China officially overtook Japan to become the world's second biggest economy. It is expected that China will surpass the USA for the top spot over the next 20 to 30 years.

### New Zealand

New Zealand's slow economic recovery was rocked by the Christchurch earthquakes. It is estimated the second, much more violent, shake in February will slice 1.5% off Gross Domestic Product for over the 2011 calendar year. The Reserve Bank moved quickly to cut the Official Cash Rate 0.5% to 2.5% in the aftermath of the disaster. Governor Alan Bollard stressed that the move was insurance against a serious stalling of the economic recovery and undoubtedly wanted to show support for Christchurch.

Perversely, over the longer term we may in fact see a stronger uptick in GDP as the rebuilding effort in Christchurch gathers steam. We may even begin to see localised areas of inflation emerge due to supply constraints. Indeed the Reserve Bank cannot afford to be complacent with the Consumer Price Index rising 4.5% for the year to March 2011. This was courtesy of the increase in GST and tobacco tax and rising fuel and food prices. While the Reserve Bank is allowed to look through temporary inflation pressures, if these strains begin to effect broader inflationary expectations, it may have to raise interest rates sharply.

### Cash Investment Choice

This option returned 3.7% before tax and expenses and 2.30% after tax and expenses for the year.

The gross performance is in excess of the gross benchmark for the cash assets.

The closure to withdrawals from the AMPCI Property Fund continues to affect the performance of this option compared to other Cash Fund Managers and was -0.3% gross or -0.21% after tax and expenses for the year.

### Ring-fenced Cash Investment Choice

This option returned 4.0% before tax and expenses and 2.51% after tax and expenses for the year.

The gross performance is in excess of the gross benchmark for the cash assets.

### Conservative Investment Choice

This option returned 7.1% before tax and expenses and 5.51% after tax and expenses for the year.

The gross performance is in excess of the gross benchmark for this option. This out performance is because of good stock selection by all managers.

The closure to withdrawals from the AMPCI Property Fund continues to slightly affect the performance of this option.

	Benchmark allocation (%) at 31 March 2011	Actual allocation (%) at 31 March 2011
<b>Growth assets</b>		
AMPCI NZ Property	0	4.44
<b>Income assets</b>		
OnePath Wholesale NZ Cash	100	95.56
<b>Assets under management (\$ million)</b>		
		27.94
<b>Gross performance (%)</b>	<b>Benchmark</b>	<b>Scheme</b>
	3.1	3.7

The cost of investment expenses for this Choice were 0.43%.

	Benchmark allocation (%) at 31 March 2011	Actual allocation (%) at 31 March 2011
<b>Income assets</b>		
OnePath Wholesale NZ Cash	100	100
<b>Assets under management (\$ million)</b>		
		13.03
<b>Gross performance (%)</b>	<b>Benchmark</b>	<b>Scheme</b>
	3.1	4.0

The cost of investment expenses for this Choice were 0.40%.

This Choice option was established for Members of the previous Cash Portfolio and is available to them only. All the assets of this Choice option will be transferred to the Cash Investment Choice option once the AMPCI Property assets are sold from that Choice option.

	Benchmark allocation (%) at 31 March 2011	Actual allocation (%) at 31 March 2011	
<b>Growth assets</b>			
AMPCI Australasian Shares	2.50	2.30	
Harbour Asset Management Australasian Shares	2.50	2.26	
AMPCI Core Global Shares	15.0	5.02	
AMPCI Core Hedged Global Shares		4.79	
AMPCI Extended Market Global Shares		1.16	
NZ Assets Management Global Shares		1.39	
AMPCI NZ Property	0	4.46	
<b>Income assets</b>			
OnePath Sovereign Bond Fund	15.0	3.23	
OnePath High Grade Bond Fund		8.47	
OnePath High Yield Bond Fund		1.28	
Russell Global Bond Fund	30.0	27.56	
OnePath Wholesale NZ Cash	35.0	38.08	
<b>Assets under management (\$ million)</b>			
		20.08	
<b>Gross performance (%)</b>	<b>Benchmark</b>	<b>Scheme</b>	<b>KiwiSaver Median Return</b>
	5.9	7.1	5.8

The cost of the investment expenses for this Choice were 0.63%.

### Balanced Investment Choice

This option returned 8.90% before tax and expenses and 6.64% after tax and expenses for the year.

The gross performance is in excess of the gross benchmark for this option. This out performance is because of good stock selection by global bond managers.

	Benchmark allocation (%) at 31 March 2011	Actual allocation (%) at 31 March 2011	
<b>Growth assets</b>			
AMPCI Australasian Shares	13.5	6.27	
Harbour Asset Management Australasian Shares		6.2	
Direct Capital		0.48	
AMPCI Core Global Shares	35.0	14.36	
AMPCI Core Hedged Global Shares		14.3	
AMPCI Extended Market Global Shares		3.12	
NZ Assets Management Global Shares	10.0	3.97	
AMPCI NZ Property		3.54	
ING Global Property		5.19	
<b>Income assets</b>			
OnePath Sovereign Bond Fund	12.0	2.91	
OnePath High Grade Bond Fund		7.51	
OnePath High Yield Bond Fund		1.16	
Russell Global Bond Fund	24.5	23.36	
OnePath Wholesale NZ Cash	5.0	7.63	
<b>Assets under management (\$ million)</b>			
		201.74	
<b>Gross performance (%)</b>	<b>Benchmark</b>	<b>Scheme</b>	<b>KiwiSaver Median Return</b>
	8.2	8.9	7.0

The cost of the investment expenses for this Choice were 0.81%.

### High Growth Investment Choice

This option returned 8.90% before tax and expenses and 6.23% after tax and expenses for the year.

The gross performance is less than the gross benchmark for this option. This under performance is because global shares have been underweight and cash overweight compared to the benchmark.

	Benchmark allocation (%) at 31 March 2011	Actual allocation (%) at 31 March 2011	
<b>Growth assets</b>			
AMPCI Australasian Shares	20.0	10.48	
Harbour Asset Management Australasian Shares		10.30	
AMPCI Core Global Shares		17.19	
AMPCI Core Hedged Global Shares	45.0	16.65	
AMPCI Extended Market Global Shares		3.98	
NZ Assets Management Global Shares		4.85	
AMPCI NZ Property	20.0	5.08	
OnePath Global Property		10.35	
<b>Income assets</b>			
OnePath Sovereign Bond Fund	5.0	1.41	
OnePath High Grade Bond Fund		3.84	
OnePath High Yield Bond Fund		0.57	
Russell Global Bond Fund	10.0	10.69	
OnePath Wholesale NZ Cash	0	4.64	
<b>Assets under management (\$ million)</b>			
		19.87	
<b>Gross performance (%)</b>	<b>Benchmark</b>	<b>Scheme</b>	<b>KiwiSaver Median Return</b>
	9.1	8.9	7.7

The cost of the investment expenses for this Choice were 0.87%.

### How has the scheme performed compared to the Investment Objectives set out in the SIPO?

The scheme's SIPO was reviewed with effect from 01 April 2010 to take account of changes made when Member investment Choice was introduced.

The Objectives are set out below as well as the progress towards achieving them:

### Overall long term performance compared to CPI

Measured after the deduction of investment fees, administration expenses and tax. The CPI increased by 2.2% in the December 2010 quarter due to the increase in GST from 12.5% to 15%. The measurement period for the targets is shown in parenthesis.

	1 year (%)	2 years (% pa)	3 years (% pa)	5 years (% pa)
<b>High Growth</b>				
Return	6.1	13.8	n.a	n.a
CPI + 4% pa (10 years)	8.5	7.2		
Target reached?	<input type="checkbox"/>	<input checked="" type="checkbox"/>		
<b>Balanced</b>				
Return	6.5	11.7	1.4	0.7
CPI + 3% pa (5 years)	7.5	6.2	6.2	6.1
Target reached?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Conservative</b>				
Return	5.3	7.1	n.a	n.a
CPI + 1.5% pa (3 years)	6.0	4.7		
Target reached?	<input type="checkbox"/>	<input checked="" type="checkbox"/>		
<b>Cash</b>				
Return	2.5	2.5	n.a	n.a
CPI + 0.25% pa (3 years)	4.7	3.5		
Target reached?	<input type="checkbox"/>	<input type="checkbox"/>		



### Individual manager performance compared to benchmark

Measured before the deduction of investment fees and tax. The measurement period is rolling 3 years.

#### Growth assets

##### Australasian shares

AMPCI return	4.5
Benchmark + 2% pa	4.0
Target reached?	<input checked="" type="checkbox"/>
HAM return	6.3
Benchmark + 2% pa	3.8
Target reached?	<input checked="" type="checkbox"/>

##### Global shares

AMPCI Core return	-0.6
Benchmark + 2% pa	2.8
Target reached?	<input type="checkbox"/>
AMPCI EM return	5.7
Benchmark + 1% pa	6.5
Target reached?	<input type="checkbox"/>
NZAM return	6.2
Benchmark + 0.75% pa	1.2
Target reached?	<input checked="" type="checkbox"/>

##### NZ property

AMPCI return	-15.4
Benchmark	-7.4
Target reached?	<input type="checkbox"/>

##### Global property

OnePath return	-4.4
Benchmark + 0.75% pa	-0.7
Target reached?	<input type="checkbox"/>

**Longer term** returns shown for Harbour Asset Management (HAM) relate to the AllianceBernstein (AB) fund which was managed by the same personnel.

#### Income assets

##### NZ bonds

OnePath return	8.3
Benchmark + 0.75% pa	8.5
Target reached?	<input type="checkbox"/>

##### Global bonds

Manager return	9.3
Benchmark + 0.75% pa	8.7
Target reached?	<input checked="" type="checkbox"/>

##### Cash

Return	4.0
Benchmark + 0.25% pa	3.6
Target reached?	<input checked="" type="checkbox"/>

**Longer term** global bond returns are a combination of Russell and the two previous managers Tower Asset Management (TAM) and OnePath.



### Investment choice performance compared to benchmark

Measured before the deduction of investment fees and tax. The measurement period is rolling 5 years.

	1 year (%)	3 years (% pa)	5 years (% pa)
<b>High Growth</b>			
Return	8.9	n.a	n.a
Benchmark + 1.25% pa	10.4	n.a	n.a
Target reached?	<input type="checkbox"/>		
<b>Balanced</b>			
Return	8.9	4.1	3.3
Benchmark + 1.00% pa	9.2	5.5	4.3
Target reached?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Conservative</b>			
Return	7.1	n.a	n.a
Benchmark + 0.50% pa	6.4	n.a	n.a
Target reached?	<input checked="" type="checkbox"/>		
<b>Cash</b>			
Return	4.0	n.a	n.a
Benchmark + 0.25% pa	3.6	n.a	n.a
Target reached?	<input checked="" type="checkbox"/>		

### Performance compared to KiwiSaver Funds

Measured after the deduction of investment fees but before the deduction of administration expenses and tax. Compared to funds within  $\pm 5\%$  growth asset allocation. The measurement period is rolling 3 years.

	1 year (%)	3 years (% pa)	5 years (% pa)
<b>High Growth</b>			
Return	8.3	n.a	n.a
Survey median	7.4		
Target reached?	<input checked="" type="checkbox"/>		
Rank	2 / 8		
<b>Balanced</b>			
Return	8.4	3.5	2.8
Survey median	6.9	3.9	n.a
Target reached?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Rank	1 / 9	9 / 9	
<b>Conservative</b>			
Return	6.7	n.a	n.a
Survey median	5.7		
Target reached?	<input checked="" type="checkbox"/>		
Rank	2 / 10		

### Comment:

The overall long term performance comparison with CPI has been affected by the 2.2% increase in CPI in the December 2010 quarter. This increase was due to the increase in GST from 12.5% to 15% in October 2010 and was not foreseen. Had GST not been increased the Choice options would have met the 1 year targets in all cases apart from the High Growth option.

Reviewing the rolling three year Individual manager performance compared to benchmark for the AMPCI Core and Emerging Markets (EM) Funds, Trustees have placed them 'on watch' requiring improved performance. Unfortunately the performance of similar funds available in New Zealand is little better than the AMPCI Funds. The individual manager performance compared to benchmark for the OnePath New Zealand Bond Funds resulted from poor performance in 2008. The performance of these Funds has been gradually improving since then.

Investment Choice performance compared to benchmark on a rolling five year basis is limited as the Choice options have been available only since October 2008. The Cash and Conservative options exceeded the benchmarks established and the High Growth and Balanced options are showing positive movement towards their benchmark.

Reviewing the performance compared to KiwiSaver Funds reveals performance has exceeded the KiwiSaver Funds for all options over the last year and has improved significantly in the case of the Balanced option.

### Investment Configuration

Harbour Asset Management were appointed to manage half of the Australasian Shares from May 2010. Most of the Investment staff at Harbour were previously with AllianceBernstein which managed the scheme's Australasian shares until January 2010.

ING changed their name to OnePath during the year. Trustees reviewed the New Zealand Bond portfolio during the year and decided to remain with OnePath however they decided to change the arrangements and invest in the High Grade, Sovereign and High Yield Bond Funds. Clarion were appointed by OnePath to manage their global Property Fund during the year. Trustees decided to remain with OnePath and their new manager.

All global bond assets were transferred from the Tower Global Bond Fund to the Russell Global Bond Fund by 30 September 2010.

At years end the investment in Direct Capital totalled \$ 999 593 of a committed capital contribution of \$ 5.0 million on behalf of the Balanced Member Investment Choice option.

The Trustees have maintained a close watch on the scheme's investments and sought regular advice from the Investment Adviser. All new net contributions continue to be invested in the OnePath Wholesale Cash Fund. This decision provides the scheme with extra liquidity and will continue. Given the change to the Member Investment Choice elections that occurred during the year Trustees now rebalance the transfers required to meet Members elections and contributions received each month.

### Trustees

In October 2010 the New Zealand Fire Service Commission notified the scheme that Trustees Janine Hearn and Allan Kerrisk had been replaced by Peter Harris and Keith Taylor. In January 2011 the New Zealand Fire Service Commission notified the scheme that Trustee Russell Wood had been replaced by Angela Foulkes. The Chair thanked retiring Trustees for their service to the scheme on behalf of fellow Trustees.

Trustees met on six occasions during the year.

### The costs

Administration expenses and investment management fees paid for the year totalled \$ 1 135 783, up \$ 36 765 from last year, as a result of administration expenses being higher this year because of higher costs related to Member meetings during the consultation process.

Investment Managers deduct fees from inside their Investment Funds. They also directly bill the scheme for fees in accordance with the Fund Manager Agreement as set out in the Financial Statements. Since 2010, in the interest of transparency, the Trustees have developed a process to identify both the internal and the external fees.

The Trustees use an international method of measuring and comparing these expenses from year to year known as the 'Management Expenses Ratio' (MER). The MER comparison over the last two years is shown below:

To 31 March	Investment Administration MER (%)	Administration Total MER (%)
2011	0.496	0.704
2010	0.574	0.791

When you compare these costs to other savings products in the market-place the scheme's costs are significantly lower.

### Scheme administration

Mercer continued to administer the scheme dealing with day to day enquiries through the Helpline from their call centre in Melbourne.

Kerryn McLay ceased administering the scheme during the year and was replaced by Carrie Talbot. Carrie continues to administer the scheme in a very professional manner.

During the year the ability to make a Member Investment Choice election annually in September only was changed. Members may now make an election at any time but only one election per year is permitted. Since August 2010, 201 Members have taken the opportunity to make an election.

Trustees took the opportunity to review and update policy related to the Loss of Medical or Physical Fitness in the case of members of the Complying Fund. They also reviewed the Withdrawal policy and the Trustee Professional Development policy.

### Legislation

The coming into law of the Financial Service Providers Act required the Trustees to establish a Disputes Resolution Scheme and register Trustees in accordance with the legislation. The Trustees have appointed Financial Services Complaints Limited (FSCL) to administer their Dispute Resolution Scheme. The existing Disputes Handling Procedure still applies and any Member who has a complaint should contact the scheme Secretary in the first instance.

The scheme's Investment Statement and Brochure were updated during the year.

### Disputes

No Complaints were received during the year that required the enactment of either the old or the updated Disputes Resolution process.

### Privacy issues

The scheme's Privacy Officer reported that the scheme had complied with the Privacy Act and its principles throughout the year. No complaints related to privacy issues were received during the year.



### Transfers from other funds

During the year no transfers from other registered superannuation schemes were received. A comparison of the transfers from other schemes over the last five years is shown below:

To 31 March	Transfer Value (\$)
2011	0
2010	368 032
2009	112 350
2008	399 986
2007	37 185

### Voluntary contributions

During the year the scheme received voluntary contributions totalling \$ 486 260.

Thirty one Members made voluntary contributions to the scheme in excess of their normal contributions.

During the year nineteen Members made a Voluntary contribution of their Physical Competency Allowance (PCA) to the scheme. Given the cost and amount of work required Trustees resolved to discontinue this process from 2011.

Any Member may make voluntary contributions at any time. If you wish to avail yourself of this opportunity contact the scheme Secretary at any of the contacts set out in the Directory inside the front cover.

### Risk Management Policy and Plan

Work continued on the updating of a risk management policy and plan to identify and establish solutions for the risks the scheme faces in carrying out its normal business.

### PRI Membership

The scheme continued its policy of having adopted the United Nations Principles of Responsible Investing (UNPRI) during the year. Reporting on activity related to the Six Principles was completed during the year.



### Membership

The number of Members of the scheme increased slightly during the year. A breakdown of the Membership changes for the year follows:

<b>Members at 01 April 2010</b>	<b>1755</b>
New Members	58
<b>Members leaving</b>	
Death	0
Dismissal	0
Loss of medical/physical fitness	9
Resignation	14
Retirement	19
Retrenchment	1
<b>Subtotal</b>	<b>43</b>
<b>Members at 31 March 2011</b>	<b>1770</b>

There were 46 deferred Members of the scheme at 31 March 2011.

## CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2011

		2011 \$	2010 \$
<b>Investment and Administration Activities</b>			
Investment Revenue	Note 1	20,315,091	34,512,956
Investment Expenses		<u>(567,296)</u>	<u>(569,083)</u>
Net Investment Revenue		19,747,795	33,943,873
Administration Expenses	Note 2	<u>(568,487)</u>	<u>(529,935)</u>
<b>Change in Net Assets Before Taxation and Membership Activities</b>		19,179,308	33,413,938
Taxation Expense		<u>(3,540,504)</u>	<u>(5,351,979)</u>
<b>Change in Net Assets After Taxation</b>		<u>15,638,804</u>	<u>28,061,959</u>
<b>Membership Activities</b>			
<b>Contributions:</b>			
Transfers In		-	368,032
Members	5,956,197	5,965,820	5,965,820
Lump Sum	486,260	49,572	49,572
Employer	8,971,818	8,996,068	8,996,068
FSC Reimbursement	191,652	128,081	128,081
		<u>15,605,927</u>	<u>15,507,573</u>
Withdrawals, Retirements and Other Benefits		<u>(9,644,063)</u>	<u>(8,375,769)</u>
<b>Net Contributions Received</b>		<u>5,961,864</u>	<u>7,131,804</u>
<b>Liability for Promised Benefits</b>			
Liability for Promised Benefits at Beginning of Year		261,807,658	226,613,895
Net Increase in Net Assets After Taxation		15,638,804	28,061,959
Net Contributions Received		<u>5,961,864</u>	<u>7,131,804</u>
<b>Liability for Promised Benefits at End of Year</b>		<u>283,408,326</u>	<u>261,807,658</u>
Represented as at 31 March by:			
Member Accounts		117,215,763	108,066,160
Employer Accounts		166,192,563	153,741,358
Reserve Account		-	140
<b>Liability for Promised Benefits</b>		<u>283,408,326</u>	<u>261,807,658</u>
<b>NET ASSETS AS AT 31 MARCH 2011</b>			
<b>Assets</b>			
Cash		50,987	12,118,431
Investments:			
Short Term Securities	63,825,662	67,853,329	67,853,329
New Zealand Fixed Interest	27,088,469	24,756,044	24,756,044
Offshore Fixed Interest	54,705,178	49,479,275	49,479,275
New Zealand Equities	15,242,763	26,381,380	26,381,380
Offshore Equities	99,377,108	59,768,006	59,768,006
Property	22,942,826	<u>21,178,211</u>	<u>21,178,211</u>
		283,182,006	249,416,245
Receivables	283,823	282,629	282,629
Tax Refundable	-	<u>51,968</u>	<u>51,968</u>
		<u>283,823</u>	<u>334,597</u>
<b>Total Assets</b>		<u>283,516,816</u>	<u>261,869,273</u>
Less:			
Payables	63,185	61,615	61,615
Tax Payable	45,305	-	-
		<u>108,490</u>	<u>61,615</u>
<b>Net Assets Available to Pay Benefits at End of Year</b>		<u>283,408,326</u>	<u>261,807,658</u>

## NOTES FOR THE YEAR ENDED 31 MARCH 2011

	2011 \$	2010 \$
<b>Note 1: Investment Revenue</b>		
Interest	31,669	159,085
Dividends	972,902	599,122
Change in Net Market Value of:		
New Zealand Fixed Interest	4,826,367	4,839,256
Offshore Fixed Interest	2,016,577	5,983,557
New Zealand Equities	254,159	2,086,291
Offshore Equities	10,634,836	22,751,534
Property	<u>1,578,581</u>	<u>(1,905,889)</u>
	19,310,520	33,754,749
<b>Total Investment Revenue</b>	<u>20,315,091</u>	<u>34,512,956</u>
<b>Note 2: Administration Expenses</b>		
Accountancy Fees	11,250	9,563
Administration Fees	221,336	189,172
Audit Fees	16,875	17,719
Investment Advice	120,603	114,517
Legal Fees	36,321	47,760
Printing & Stationery	11,708	16,785
Tax Consultancy Fees	63,301	68,586
Trustees Fees & Expenses	85,051	63,768
Other Administration Fees	<u>2,042</u>	<u>2,065</u>
	<u>568,487</u>	<u>529,935</u>
<b>Summary of Cash Flows</b>		
Net Cash Flows from Operating Activities	3,714,702	7,273,186
Net Cash Flows from Investing Activities	(15,782,146)	4,662,789

## SUMMARY FINANCIAL STATEMENTS

Presented on pages 14 and 15 are the Summary Financial Statements of the New Zealand Fire Service Superannuation Scheme, a profit-oriented entity, for the year ended 31 March 2011, which were extracted from the full Financial Statements which comply with the New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and with International Financial Reporting Standards ('IFRS'). The full Financial Statements were authorised for issue by the Trustees on 02 June 2011.

An unqualified audit report was issued for the full financial statement on 02 June 2011.

As the summary Financial Statements do not include all the disclosures that are in the full Financial Statements, it cannot be expected to provide as complete an understanding of the change in net assets, net assets and Cash Flows of the scheme as provided by the full Financial Statements. These summary Financial Statements are in compliance with FRS-43: Summary Financial Reports.

The full Financial Statements are available to Members from the scheme Secretary at no charge. The postal address of the scheme Secretary is:

### The Secretary to the Trustees

New Zealand Fire Service Superannuation Scheme  
PO Box 36287  
Merivale  
CHRISTCHURCH 8146.



## Report on the Summary Financial Statements

The accompanying summary financial statements of New Zealand Fire Service Superannuation Scheme (the Scheme) on pages 14 and 15, which comprise the summary statement of net assets as at 31 March 2011, and the summary statement of changes in net assets and summary statement of cash flows for the year then ended, and related notes, are derived from the audited financial statements of New Zealand Fire Service Superannuation Scheme for the year ended 31 March 2011. We expressed an unmodified audit opinion on those financial statements in our report dated 2 June 2011.

The summary financial statements do not contain all the disclosures required for full financial statements under generally accepted accounting practice in New Zealand. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of New Zealand Fire Service Superannuation Scheme.

This report is made solely to the Scheme's members, as a body in accordance with Section 13(1)(c) of the Superannuation Schemes Act 1989. Our audit has been undertaken so that we might state to the Scheme's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Trustees' Responsibility for the Financial Statements

The Trustees are responsible for the preparation of a summary of the audited financial statements, in accordance with FRS-43: *Summary Financial Statements*.

## Auditor's Responsibilities

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (New Zealand) (ISA (NZ)) 810 *Engagements to Report on Summary Financial Statements*.

Other than in our capacity as auditor and the provision of taxation advice, we have no relationship with or interests in New Zealand Fire Service Superannuation Scheme.

## Opinion

In our opinion, the summary financial statements are correctly extracted from the audited financial statements of the Scheme for the year ended 31 March 2011 and are consistent, in all material respects, with those financial statements, in accordance with FRS-43.



Chartered Accountants  
15 June 2011  
Wellington, New Zealand

### In accordance with the reporting requirements of the Superannuation Schemes Act 1989 the Trustees:

- Confirm that all contributions required to be made to the scheme in accordance with the Trust Deed for the year ended 31 March 2011 have been made.
- Certify that all the benefits required to be paid from the scheme in accordance with the Trust Deed for the year ended 31 March 2011 have been paid.
- Certify that the market value of the assets of the scheme as at 31 March 2011 equaled or exceeded the total value of all benefits that would have been payable had all Members ceased to be Members at that date.
- Confirm there have been no amendments to the Trust Deed of the scheme during the year ended on 31 March 2011.
- Confirm the interim interest rates for the Member Investment Choice options that applied from 01 April 2010 to 31 March 2011 were:

Interest rates (%)	Ring-fenced Cash	Cash Option	Conservative Option	Balanced Option	High Growth Option
April	+0.19	+0.22	+0.49	+0.22	+0.10
May	+0.13	+0.12	-0.38	-2.46	-4.02
June	+0.19	+0.15	-0.02	-1.56	-2.78
July	+0.20	+0.22	+0.78	+1.96	+2.63
August	+0.21	+0.17	+0.69	+0.34	-0.16
September	+0.20	+0.11	+0.94	+2.47	+3.64
October	+0.22	+0.28	+0.72	+1.22	+1.56
November	+0.21	+0.25	-0.28	-0.55	-0.66
December	+0.25	+0.27	+0.59	+1.60	+2.27
January	+0.20	-0.05	+0.43	+1.02	+1.04
February	+0.24	+0.23	+1.00	+2.06	+2.48
March	+0.24	+0.30	+0.23	+0.07	+0.13

- Confirm the market value of assets subject to complying fund rules is \$ 1,366,924 these assets relate to 96 Members and the value of withdrawals subject to complying fund rules was zero.

### In accordance with the Securities Act 1978 the Trustees confirm:

- That no trustee, promoter, or manager of the scheme, or any director of that trustee, promoter, or manager has, during the last 5 years preceding the balance date, been adjudged bankrupt or insolvent, convicted of any crime involving dishonesty, prohibited from acting as a director of a company, or placed in statutory management or receivership.
- None of the scheme's assets (calculated in accordance with generally accepted accounting practice) was, at any time during the year preceding the balance date, represented directly or indirectly by any securities that were issued by a trustee, manager or custodian of the scheme (or any associated person of any of them).
- No legal proceedings or arbitrations were pending at the balance date that may have a material adverse effect on the scheme.
- In their opinion, after due enquiry by them, that neither
  - the value of the scheme's assets relative to its liabilities (including contingent liabilities);
  - the ability of the scheme to pay its debts as they become due in the normal course of business
 have materially and adversely changed since the balance date.

### IF YOU HAVE A COMPLAINT – FOLLOW THIS PROCEDURE

1. Members, including deferred Members and pensioners, are advised that the Secretary to the Trustees, Barry Dent, is the named individual whom they should contact if they have any dispute or a complaint about the operation of the scheme. His contact details are set out inside the front cover.
2. In the case of a dispute or a complaint about the operation of the scheme he is to:
  - acknowledge receipt of the complaint,
  - check whether or not anonymity is requested and advise the Member whether or not that is likely to be practicable,
  - advise the Member when a substantive reply can be expected,
  - ensure that the Trustees are notified of the complaint,
  - ensure that the complaint is dealt with within 40 days following its receipt.
3. The Trustees have formed a sub-committee to handle complaints. Membership of the sub-committee is Angela Foulkes, Steve Warner and Barry Dent.
4. The sub-committee shall make a decision on all complaints received. If you are not satisfied with the decision you have the right to take an unresolved complaint to FSCL – Financial Services Complaints Limited – who have been selected as the scheme's Disputes Resolution Scheme provider.
5. The FSCL contact details are:
 

**Website:** www.fscl.org.nz  
**Email:** info@fscl.org.nz  
**Freephone:** 0800 347257  
**Telephone:** (04) 472FSCL (472 3725)  
**Fax:** (04) 472 3727

**Postal Address:** PO Box 5967  
 Lambton Quay  
 WELLINGTON 6145.

### Comment:

- **Complaints about the rates of return of the scheme or the level of benefits provided in the Trust Deed.** These are not matters that would be expected to be dealt with by the above procedure. Members are encouraged to write to the Secretary to the Trustees at any time to bring them to the attention of the Trustees.
- **Complaints of a clerical nature, such as contributions not being recorded correctly or personal details not being corrected.** These are not matters that would be expected to be dealt with by the above procedure. Members should write to the Secretary to the Trustees immediately an error is detected in order that it can be corrected as soon as possible.
- **Complaints about failure to exercise a discretion by Trustees.** Members generally do not appreciate that Trustees can, at law, be required to consider whether or not to exercise a discretion, but cannot be compelled to exercise it. Complaints about the exercise or non-exercise of a discretion may be addressed under this procedure.
- **Complaints about employer actions or non-actions.** These are outside the scope of this procedure, but the Trustees intend to advise the employer of the nature and frequency of these complaints as necessary and at least on an annual basis.

