

Sovereign Staff Retirement Fund

ANNUAL REPORT

For the year ended 31 March 2017

Details of Scheme

(1) The following details relating to the Sovereign Staff Retirement Fund (Scheme) are applicable as at 31 March 2017:

- (a) The name of the Scheme is the Sovereign Staff Retirement Fund.
- (b) The Scheme is designated as a restricted workplace savings scheme and a restricted employer-related scheme and is therefore a restricted scheme for the purposes of the Financial Markets Conduct Act 2013 (FMCA).
- (c) The Scheme's trustees are the manager of the Scheme. As at the date of this report, the Scheme's trustees are Cherise Leanne Barrie, Barbara Doune Connett, Bruce John Kerr and Nicholas Simon John Stanhope.
- (d) The Scheme is not required to appoint a supervisor and therefore does not have one.
- (e) The Scheme is closed to new investors and therefore does not have a product disclosure statement (PDS).
- (f) Fund updates for the Scheme are available to 31 March 2017.
- (g) The latest financial statements for the Scheme that have been registered with the Registrar under the Financial Markets Conduct Act 2013 cover the financial year 1 April 2016 to 31 March 2017. The auditor's report on these financial statements was dated 20 July 2017.

Information on contributions and Scheme participants

During the year the number of members in the Scheme decreased from 29 to 25. The table below shows the numerical changes in the membership of the Scheme that occurred during the year.

Defined Contribution Members

| | Contributing members | Non-contributing members | Total number of members | Members' accumulation** |
|--|----------------------|--------------------------|-------------------------|-------------------------|
| Membership at 1 April 2016 | 2 | 6 | 8 | \$542,389.11 |
| PLUS | | | | |
| New members transferring from other registered schemes | 0 | 0 | 0 | |
| Other new members | 0 | 0 | 0 | |
| LESS | | | | |
| Members transferring to other schemes | 0 | 0 | 0 | |
| Retirement | 0 | 0 | 0 | |
| Death | 0 | 0 | 0 | |
| Other | 2 | 2 | 4 | |
| Membership at 31 March 2017 | 0 | 4 | 4 | \$261,181.66 |

Defined Benefit Members (Pensioners)

| | Contributing members | Non-contributing members | Total numbers of members |
|--|----------------------|--------------------------|--------------------------|
| Membership at 1 April 2016 | 0 | 21 | 21 |
| PLUS | | | |
| New members transferring from other registered schemes | 0 | 0 | 0 |
| Other new members | 0 | 0 | 0 |
| LESS | | | |
| Members transferring to other schemes | 0 | 0 | 0 |
| Retirement | 0 | 0 | 0 |
| Death | 0 | 0* | 0 |
| Membership at 31 March 2017 | 0 | 21 | 21 |

*One pensioner died during the period, but as their spouse is entitled to continue to receive a pension, there is no decrease in the number of pensioners.

**There are no accumulations shown for pensioners as their benefits are funded from the unallocated portion of the Scheme.

During the year, the following contributions were received by the Scheme:

| Type | Total amount received | Defined contribution members | Defined benefit members (pensioners) |
|---|-----------------------|------------------------------|--------------------------------------|
| Member contributions | \$8,072.24 | 2 | 0 |
| Employer contributions | \$13,222.39 | 2 | 1 |
| Member voluntary additional contributions | \$0.00 | 0 | 0 |
| Total contributions | \$21,294.63 | 4 | 1 |

Changes relating to the Scheme

The Scheme transitioned to the FMCA on 29 November 2016. The trustees and the Scheme have adhered to the new requirements since that date.

Trust Deed

On 15 November 2016, the Trust Deed for the Scheme was amended to replace the original trust deed in its entirety with effect from 29 November 2016.

The amendments were made to comply with the FMCA.

Terms of the offer

The Scheme has been closed to new members since 1 July 2004. There were no changes to the terms of the offer over the relevant period.

Statement of Investment Policy and Objectives

A Statement of Investment Policy and Objectives was established for the Scheme on 29 November 2016 and amended on 24 March 2017. The amendments were to change the investment strategy for the Conservative, Balanced and Growth Funds so that they invest predominantly in the funds noted in the table below that are offered in the ANZ Investments Multi-Asset-Class Scheme (Underlying ANZ Funds).

| Multi-Sector Funds | Underlying ANZ Funds |
|--------------------|-----------------------|
| Conservative | Conservative Balanced |
| Balanced | Balanced Growth |
| Growth | Growth |

Related Party Transactions

On 24 March 2017, the Scheme's investment strategy was changed such that the Conservative, Balanced and Growth funds became invested in the Underlying ANZ Funds, as noted above. This resulted in a reduction of Scheme's related party transactions. Other than the above change, there were no material changes to the nature or scale of the Scheme's related party transactions over the relevant period. All related party transactions entered into were conducted on normal commercial terms and conditions during the accounting period and were on an arm's length basis.

Other information for particular types of managed funds

Withdrawals

| | Number of defined contribution members | Number of defined benefit members (pensioners) |
|------------------------|--|--|
| Pension payments | 0 | 21 |
| Retirement/Resignation | 1 | 0 |
| Redundancy | 3 | 0 |
| Death/Disablement | 0 | 0* |

*One pensioner died during the period, but as their spouse is entitled to continue to receive a pension, there is no decrease in the number of pensioners.

Actuarial Valuation for the defined benefit section of the Scheme

The rates or amounts of contributions paid are in accordance with the recommendations contained in the most recent report of the Scheme's actuary dated 17 October 2016.

An actuarial review of the Scheme was last conducted as at 31 March 2016.

In the report the actuary reported that the Scheme's financial position was sound and recommended that there was no need for the employer, Sovereign Services Limited, to make further contributions (except in respect of the 'Specified Pensions') to the Scheme. The expected costs of providing the annual benefits to members, and administration costs could be funded from the Scheme's surplus assets.

The Scheme's net assets of \$8.5m significantly exceeded the value of the accrued liabilities of \$3.2m as at 31 March 2016.

In accordance with the actuary's advice Sovereign Services Limited, only contributed an amount to pay for the 'Specified Pensions' for the 12 months to 31 March 2016.

Unit Prices (applicable for defined contribution members)

| Fund | At 1 April 2016 | At 31 March 2017 |
|-------------------|-----------------|------------------|
| Cash Fund | 1.7642 | 1.7955 |
| Conservative Fund | 2.0617 | 2.1595 |
| Balanced Fund | 2.5636 | 2.748 |
| Growth Fund | 1.9154 | 2.0795 |

Returns (applicable for defined contribution members)

The following rates of return after tax and annual fees applied for each fund in the Scheme for the year ended 31 March 2017.

| Fund | Rate of Return % |
|-------------------|------------------|
| Cash Fund | 1.81 |
| Conservative Fund | 4.73 |
| Balanced Fund | 7.11 |
| Growth Fund | 8.42 |

During the period, the unallocated portion of the Scheme was invested in the Balanced Fund.

Statement by the trustees

As the manager of the Scheme, we confirm that for the year ended 31 March 2017:

- All the contributions required to be made to the Scheme in accordance with the terms of the governing document have been made;
- All the benefits required to be paid from the Scheme in accordance with the terms of the governing document have been paid; and
- The market value of the assets of the Scheme at the end of the financial year, 31 March 2017, equalled or exceeded the total value of the benefits that would have been payable had all members of the Scheme ceased to be a member at that date and had provision been made for the continued payment of all benefits being paid to members and other beneficiaries as at the end of the financial year.

Changes to persons involved in the Scheme

There were no changes to the administration manager, investment manager, securities registrar or auditor of the Scheme.

Changes to the trustees:

Sovereign Superannuation Trustees Limited retired as trustee of the Scheme on 17 November 2016 following which four individual trustees were appointed, one of whom is a licensed independent trustee (LIT), licensed by the Financial Markets Authority to perform such a role. The new trustees were appointed as below. The trustees are the manager and issuer of the Scheme.

The trustees of the Scheme are:

- Cherise Leanne Barrie – appointed 17 November 2016
- Nicholas Simon John Stanhope – appointed 17 November 2016
- Bruce John Kerr (LIT) – appointed 28 November 2016
- Barbara Doune Connett – appointed 26 January 2017

Andrew Peter Ward was appointed a trustee on 17 November 2016 and resigned 26 January 2017.

Changes to the custodian:

On 28 November 2016, the trustees appointed Newburg Nominees Limited as sole custodian of the Scheme to receive and hold the Scheme Property on behalf of the trustees in their capacity as trustees of the Scheme. Prior to that date Sovereign Services Limited held bank accounts on behalf of the Scheme in addition to the assets held by Newburg Nominees Limited.

How to find further information

Please see the offer register and the scheme register at business.govt.nz/disclose for further information about the Scheme (search “Sovereign Staff Retirement Fund”). The scheme register includes financial statements, fund updates and annual reports and the trust deed for the Scheme under the Documents tab.

The trust deed, statement of investment policy and objectives, annual fund updates and annual report can be found [here](#) on the Sovereign website. Alternatively you can contact the administration manager for the Scheme, Melville Jessup Weaver, and request a copy of the information to be sent to you by calling 0800 728 370 or emailing ssrf@mjlw.co.nz

The offer register includes information relating to the membership and funds, including performance and asset allocation. It also includes fund updates and other material information.

All the information noted above can be obtained at no charge.

Contact details and complaints

Contact details for the trustees

The trustees of the Sovereign Staff Retirement Fund
c/- Sovereign Services Limited
74 Taharoto Road
Takapuna
Auckland 0622

Phone: 0800 500 108
Email: ssrf@sovereign.co.nz

Or

The trustees of the Sovereign Staff Retirement Fund
c/-Melville Jessup Weaver
P O Box 11330
Wellington 6142

Phone: 0800 728 370
Email: ssrf@mjlw.co.nz

Securities registrar

Melville Jessup Weaver
P O Box 11330
Wellington 6142

Phone: 0800 728 370
Email: ssrf@mjlw.co.nz

How to complain

In the first instance, please direct any complaints about your investment to the trustees at either of the addresses shown above.

The trustees are a member of the Insurance & Financial Services Ombudsman (IFSO) Scheme which is an approved dispute resolution scheme. If the complaint is not able to be resolved with the trustees, you may contact the IFSO at:

Insurance & Financial Services Ombudsman Scheme
PO Box 10-845
Wellington 6143
New Zealand

Phone 0800 888 202
Email: info@ifso.nz

This dispute resolution scheme will not charge a fee to any complainant to investigate or resolve a complaint.