

**BANK OF NEW ZEALAND OFFICERS'
PROVIDENT ASSOCIATION**

ANNUAL REPORT

**FOR THE YEAR ENDED
31 OCTOBER 2010**

This document has been prepared for reading primarily as an electronic document.



BANK OF NEW ZEALAND OFFICERS' PROVIDENT ASSOCIATION

THE YEAR IN SUMMARY

An 'excess surplus' of about \$4.2m held at 31 October 2009 was distributed, in agreement with Bank of New Zealand (Bank), by continuing the arrangements in place for subsidy and gearing for 2009 until April 2010. The Bank began to pay in cash to the scheme fortnightly employer contributions from the pay period ended 29 April 2010 for the remainder of the Scheme 2010 financial year. The Bank absorbs employer superannuation contribution tax (ESCT).

As at 31 October 2010, the scheme surplus value of about \$4.6m was in line with an amount agreed as a 'buffer' for the Non Division 2 actuarial liabilities.

Employer Contributions

Under the Scheme Rules the Bank reviews employer contribution arrangements annually.

The Bank reduced the maximum employer contribution rate for the 2011 financial year by 1% from 7% to 6% after discussions with the BOM. The BOM negotiated for the Bank to continue to absorb ESCT costs. The advice was communicated to scheme members on 29 October 2010

On behalf of the scheme membership, the BOM expressed its disappointment to the Bank at the rate reduction.

When communicating the change in employer contribution rate, the Bank announced it will be reviewing superannuation benefits for staff during 2011. The Board of Management will be involved in the review process on behalf of the Association.

Investments

Earnings

The Association continued to be registered as a portfolio investment entity (PIE), which allows members to be taxed at their nominated prescribed investor rate (PIR). Aggregate earning rates (after tax and expenses) for member choice investment options within Division 2 for the year ended 31 October 2010 were:

Option	Net Earning rates	
Balanced	8.15%	These options were taxed at 30% until 30 September 2010 and 28% thereafter.
Cash	2.19%	
Growth	6.83%	
Balanced 17.5	9.18%	Options with a 17.5 suffix are for members who qualify and elect to be taxed at a PIR of 17.5%. They were labelled 19.5 and taxed at 19.5% until 30 September 2010, and 17.5% thereafter.
Cash 17.5	2.49%	
Growth 17.5	7.63%	

For Division 2 members' allocation of earnings is monthly – tables later in the Report show splits by month. Members who joined during the year received an aggregate earnings rate for their period of membership as shown in the tables.

Statement of Investment Policy & Objectives (SIPO)

As part of a regular review of the scheme SIPO, the investment sub-committee, in conjunction with investment advisors, Russell Investment, reviewed the structure and risk profiles for member choice investment options.

There were changes to the SIPO (reproduced as the last pages of this report) including alignment of statement of expected returns more closely with presentation of actual net results.

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Investment Sectors

At year end the Board of Management was about to begin a process of changing the manager for the International Equities sector. The change will give an 'emerging markets' exposure and simplified currency hedging arrangements.

Scheme Membership

Division 2 – Membership

Membership increased by 50 to be 2861 on 31 October 2010. The increase was seen as an indication of a Bank staff preference for the features and benefits of the scheme over KiwiSaver.

Communications

Communication with members is now via the web-site or by e-mail. Most members receive this report as an electronic file or access it from the scheme web-site. Paper copies are produced mainly for circulation to pensioners.

Board of Management

Matt Eaden was re-elected unopposed as a South Island based Division 2 member representative for a three year period from 31 July 2010.

Chris Bayliss resigned when he moved to National Australia Bank, Melbourne during June 2010. The directors of the Bank were in the process of making an appointment in his place, when this report was published.

Compliance

Rule Changes

There were no Rule amendments during the year.

Prospectus & Investment Statement

The format and content of the Investment Statement was revised during the year. The intent of the revision was to improve presentation, whilst still complying with legislative requirements.

A Prospectus dated 29 April 2010 was registered on 6 May 2010. It is not expected to be replaced.

The Bank has indicated the directors will provide confirmation to the Board of Management that will mean in the future the scheme will no longer need to file a Prospectus. In anticipation of this dispensation additional information required by legislation has been included in this Annual Report under the heading 'Declaration by the Board' and in the Investment Statement.

Financial Advisors Act 2008 and Financial Service Providers (Registration and Dispute Resolution) Act 2008

As required by this new legislation, the Board of Management has registered as a financial services provider and with a dispute resolution service provider. There will be added annual compliance costs as a consequence.

Under the legislation the scheme qualifies as a category one product, with little change required to processes in place.

Accounting

The financial statements included within this report are in 'summary form' and are in compliance with FRS43

A guide to 'terminology'

In preparing this report effort was made to provide information in an easy to understand manner. That said, due to the nature of some of the topics covered, there are times when technical terminology has been used to ensure the information is factually correct. To assist with understanding of terms or 'jargon', key words have been underlined like this and / or an explanation is provided in a box on the same page.

Summary Financial Statements. The full statements are available free of charge from the scheme secretariat upon request.

There were no significant changes to the presentation of the financial statements for the year ended 31 October 2010.

Taxation

There were legislative changes to PIE and PIR arrangements on 1 April and 1 October 2010.

Because of the scheme's peculiar PIE status, a change from a 19.5% PIR to a 21% rate that applied for most schemes from 1 April 2010 was not scheduled to apply until 1 November. Before that date it was super-ceded by a further change to a 17.5% rate from 1 October 2010. From 1 October a 30% rate also changed to 28%.

The PIE rate for the Association also changed from 30% to 28% from 1 October 2010.

ESCT applies to employer contributions paid by the Bank. The ESCT rates also changed from 1 October 2010. However, there was no impact from ESCT as the BOM negotiated for the Bank to absorb ESCT payments as a cost to the Bank.

Fund withdrawal tax (FWT) at 5% applied to some in-service withdrawal payments on the employer contributions paid to the scheme by the Bank after 28 April 2010. A legislative change has FWT scheduled to cease as of 31 March 2011.

YEAR IN MORE DETAIL

The sections that follow expand on the information provided in 'Year in Summary' sections above.

INVESTMENT PERFORMANCE

Earnings Rates by month for Member Choice Investment Options

The first two columns under each investment option in the tables that follow show the earning rate allocated to members for a month and a year to date period.

The third column under each option gives an aggregate rate for members who joined during the year. It should be read by reference to the line that matches the month of joining. For example, a member who joined the Balanced option during March received a 5.04% earning rate for the March - October period.

	Balanced option			Cash option			Growth option		
%	Month	YTD Aggr.	Part year aggregate	Month	YTD Aggr.	Part year aggregate	Month	YTD Aggr.	Part year aggregate
November 2009	1.11	1.11	8.15	0.20	0.20	2.19	1.15	1.15	6.83
December	1.48	2.61	6.96	0.15	0.35	1.99	2.65	3.83	5.61
January 2010	(0.75)	1.84	5.40	0.16	0.51	1.83	(2.28)	1.46	2.88
February	1.10	2.96	6.20	0.14	0.65	1.67	1.35	2.83	5.29
March	2.64	5.68	5.04	0.16	0.81	1.53	3.93	6.87	3.88
April	0.70	6.41	2.34	0.14	0.95	1.37	0.26	7.15	(0.05)
May	(2.53)	3.72	1.63	0.13	1.08	1.23	(4.43)	2.41	(0.30)
June	(1.38)	2.29	4.27	0.17	1.26	1.09	(2.93)	(0.60)	4.32
July	1.91	4.24	5.73	0.22	1.48	0.92	2.73	2.12	7.47
August	0.05	4.30	3.75	0.25	1.73	0.70	(1.03)	1.07	4.61
September	2.76	7.18	3.70	0.23	1.97	0.45	4.28	5.39	5.70
	Tax rate changed								
October	0.91	8.15	0.91	0.22	2.19	0.22	1.36	6.83	1.36
	Balanced 17.5 option			Cash 17.5 option			Growth 17.5 option		
%	Month	YTD Aggr.	Part year aggregate	Month	YTD Aggr.	Part year aggregate	Month	YTD Aggr.	Part year aggregate
November 2009	1.12	1.12	9.18	0.23	0.23	2.49	1.09	1.09	7.63
December	1.52	2.66	7.97	0.18	0.41	2.25	2.75	3.87	6.47
January 2010	(0.68)	1.96	6.36	0.18	0.59	2.07	(2.27)	1.51	3.62
February	1.14	3.12	7.08	0.16	0.75	1.89	1.31	2.84	6.03
March	2.82	6.03	5.88	0.18	0.93	1.72	4.16	7.12	4.65
April	0.84	6.92	2.97	0.16	1.07	1.54	0.41	7.56	0.47
May	(2.56)	4.18	2.12	0.15	1.23	1.40	(4.54)	2.68	0.06
June	(1.23)	2.90	4.80	0.20	1.43	1.25	(2.75)	(0.15)	4.82
July	2.00	4.96	6.10	0.25	1.68	1.04	2.81	2.66	7.79
August	0.13	5.10	4.02	0.28	1.97	0.79	(1.04)	1.59	4.84
September	2.91	8.15	3.89	0.26	2.23	0.51	4.45	6.11	5.94
	Tax rate changed								
October	0.95	9.18	0.95	0.25	2.49	0.25	1.43	7.63	1.43

The returns for the year from the Growth member choice investment options were lower than the Balanced options because of larger allocations to the Equities investment sectors which under-performed Fixed Interest sectors.

Earnings Rates Comparison for main Member Choice Investment Options

The Index column in the table below contains revised returns (after tax and expenses) for comparison to fit with the latest SIPO version (refer end of this report), after deducting the MER (management expense ratio) for the Cash option.

Year	Balanced Net	Cash Net	Growth Net	90 day bill index Gross less expenses and tax
2004	6.22%	4.41%	3.79%	6.34%
2005	8.85%	4.95%	7.75%	4.36%
2006	14.45%	4.90%	20.77%	4.88%
2007	7.20%	5.03%	10.20%	5.42%
2008	(20.42)%	6.21%	(31.53)%	5.99%
2009	7.94%	3.13%	4.36%	2.60%
2010	8.15%	2.19%	6.83%	1.84%
Average (rounded)	4.6%	4.4%	3.2%	4.1%
Expectation (rounded)	5.6%	4.1%	6.6%	

The asset allocation mix within each of the options changed between 2004 and 2007 thereby inhibiting direct year on year comparison. An explanation of performance against target is:

Cash

The Cash option target investment return is to perform closely in line with the ANZ 90 Day Bank Bill Index (a wholesale cash benchmark), after tax, fund expenses and fees. The index of 2.92%, less a management expense ratio (MER) and a 28% tax rate, was 1.84% for the 2010 year. The actual rate of 2.19% was comparable after fees and expenses, although tax was mainly at 30%. The result was ahead of expectation.

Balanced

The Balanced option target investment return is now to outperform, over a long-term horizon, the ANZ 90 Day Bank Bill Index by 1.5% after tax, fund expenses and fees; in other words, to exceed the Cash option return by 1.5% over a long term. For the term horizon available to date of 2004 to 2010, the target has not been met because of the extreme negative returns in 2008. Actual returns rebounded to be closer to expectation at end of 2010.

Growth

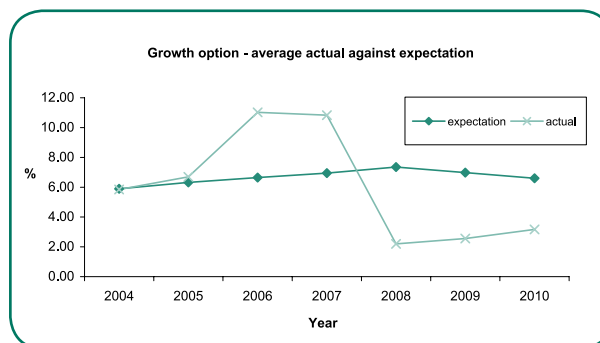
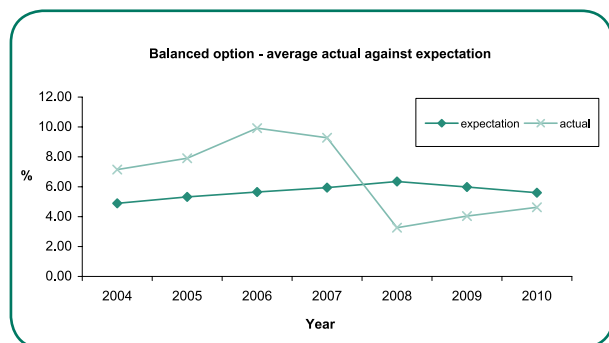
The Growth option target investment return is to outperform, over a long term horizon, the ANZ 90 Day Bank Bill Index by 2.5% after tax, fund expenses and fees; in other words, to exceed the Cash option return by 2.5% over a long term. For the available term horizon, 2004 to 2010, the target has not been met because of the extreme negative returns in 2008.

Earnings - averages compared to SIPO expectations

As for 2009, the earning rates for the Balanced and Growth member choice investment options finished the year with positive results boosted by Global Fixed Interest and Property sector performance more than International Equities.

The Board of Management encourages members to review performance relative to the scheme SIPO with emphasis on longer term results rather than specific years.

Graphs that follow have been updated from the 2008 and 2009 Annual Reports, showing the average return for periods from 2004 to 2010. As at 31 October 2010 the actual line had trended back toward the expectation line. Both lines were restated for earlier periods to fit within revised SIPO parameters.

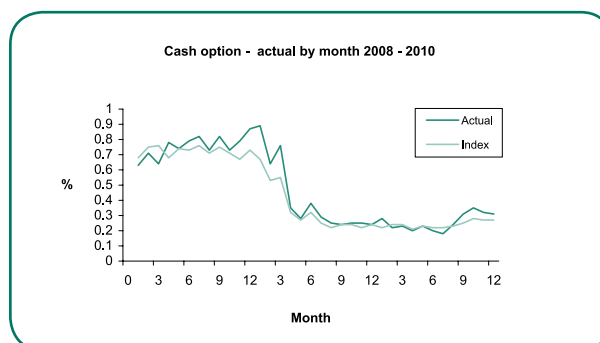
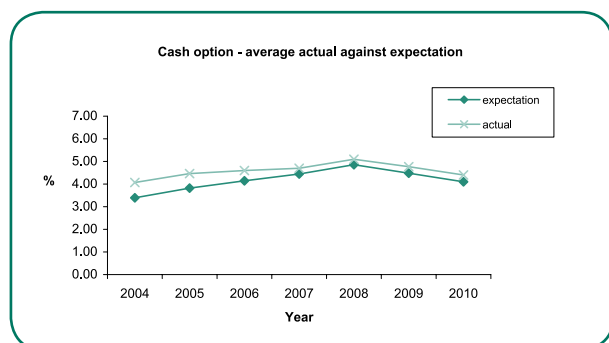


In short, actual returns have returned near to expectation for the Balanced options, but still have some catch-up for the Growth options.

What about the Cash options?

The expectation is that returns for the Cash options should track the 90 day Bank Bill index which is a measure of interest rates that banks pay on a three month deposit of wholesale money – distinct from interest rates offered by banks for retail deposits.

The graph to the left of the page below demonstrates that, whilst the average return for periods from 2004 to 2010 was above expectation, the actual return line showed declined during 2009 that continued into 2010. The graph to the right hand side shows the cause -wholesale interest rates dropped sharply during the early months of 2009 and have remained at low levels since. There was a small increase about July 2010 from an official cash rate increase of 0.25%.



Compared to the Balanced options, the Cash option returns have been affected adversely by relatively low interest rates for deposits since early 2009.

Investment Sector Returns

The table that follows outlines how the assets were invested for each sector and each option, the index or benchmark (B/mark) against which performance is measured and the actual return achieved.

PARAGRAPHS THAT FOLLOW REFER TO THIS TABLE							
Asset sector	% Allocation of Assets			Index for performance measurement	RETURN % (before tax & expenses)		
	Option	B/mark	Actual		Index	Actual	Differ.
Cash <i>Managed by One Path (ING (NZ) renamed)</i>	Bal	2.5	5.0	ANZ New Zealand 90 day Bank Bill	2.92	3.41	+0.49
	Cash	100	100				
	Growth	2.5	5				
NZ Fixed Interest <i>Invested in a mix of Govt. and corporate bonds, and discounted securities; with One Path (ING (NZ) renamed)</i>	Bal	12.5	10.5	ANZ New Zealand Government Stock Gross	8.56	8.85	+0.29
	Growth	7.5	6				
Global Fixed Interest <i>Invested in a PIE version of a TOWER unit trust product, managed by PIMCO</i>	Bal	40	40	Barclays Capital Global Aggregate Bond – hedged into NZD	9.34	14.55	+5.21
	Growth	15	15				
New Zealand Equities <i>Invested as an 'active' style mandate with One Path (ING)</i>	Bal	10	9	NZX50 with imputation credits	3.97	3.65	-0.32
	Growth	20	18.5				
Property <i>AMP Global Property Securities Product (PIE version)</i>	Bal	7.5	8.5	UBS Warburg Global Real Estate Investors – 100% after tax hedged to NZD	32.05	30.10	-1.95
	Growth	7.5	8.5				
International Equities <i>Invested in JANA Global core multi-manager active style product un-hedged to AUD – with separate 'basket of currencies' to NZD hedge at 45% after tax level</i>	Bal	27.5	27	Morgan Stanley Capital International (– World Net Dividends Reinvested – 45% after tax hedged to NZD)			
	Growth	47.5	47				
				Product	6.6	4.7	-1.9
				Hedge	4.3	4.6	+0.3
				Combined	10.8	9.3	-1.5

The index measures the cumulative increase in the market value of a portfolio of bank bills based on a daily roll over and purchase of a new bank bill of 90 day maturity. This index is valued on a mark to market basis, i.e., valued at current market yields not at purchase yields. A 90 day bank bill reflects the interest rate that banks pay on a three-month deposit of wholesale money. Yield is the expected annualised rate of return from holding a bill until it matures.

The index tracks movements in the New Zealand Government bond market. Bonds are included in the index in proportion to their relative market capitalisation weights. The calculation for this index assumes the full amount of all coupon payments are reinvested in the index.

A market capitalisation-weighted index consisting of a broad range of investment grade fixed interest securities, including both government and non-government issues (around 50% each). Country eligibility is determined based on market capitalisation and investibility criteria. All issues have a remaining maturity of at least one year. This index is fully hedged back to the NZ dollar.

This index consists of the top 50 companies listed on the New Zealand Exchange (NZX) weighted by free float adjusted market capitalisation. Free float refers to the shares of a company that are regarded as normally available for market trading. E.g., the shares held by the NZ Government in AirNZ are excluded from its free float. The index accounts for about 98% of the pool of tradable securities listed on the NZX. The index is calculated with gross dividends reinvested

A free float capitalisation-weighted arithmetic average return index that measures performance of property investment companies. It excludes property development companies. The index represents total returns, i.e., both gains from income (trust distributions and dividends) and capital movements. It comprises approximately 200 real estate companies and investment trusts listed mainly in the United States and Europe. The index is fully hedged back to the New Zealand dollar.

A market capitalisation-weighted index composed of companies representative of the market structure of 24 developed countries in North America, Europe, and the Asia-Pacific regions. The index is hedged to the New Zealand dollar (NZD) at 62.5% gross, being equivalent to 45% after tax.

Benchmark Definitions (courtesy of Russell Investments)

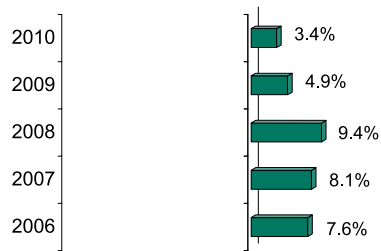
Benchmark definitions are available in comment boxes that refer to the relevant table rows

Comment on sector returns

Warning - past performance should not be read as an indicator of future returns

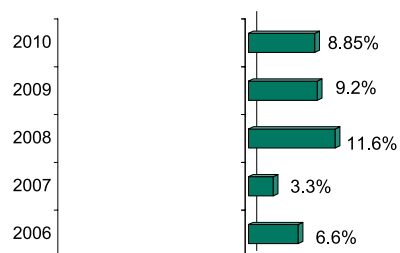
The bar graphs that follow show performance returns for the last five years. For some sectors there were changes in investment manager, product, or portfolio composition within that time. For example, NZ Equities sector investment management changed from TOWER to ING (One Path) from 2 November 2007. In all cases (except for the currency hedges) securities are held by, and transactions processed via, a custodian, not the investment manager.

NZ Cash Returns



The lower 2010 Cash sector return was a flow on effect from a drop in interest rates during 2009.

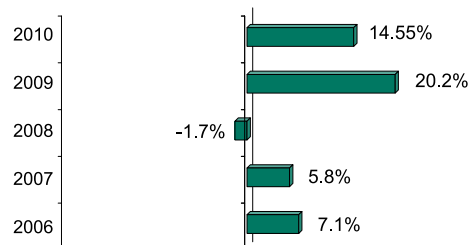
NZ Fixed Interest Returns



At year end the portfolio comprised about 50% Government Stock, 37% corporate bonds, and 13% NZ discounts. The index is 100% Government stock based.

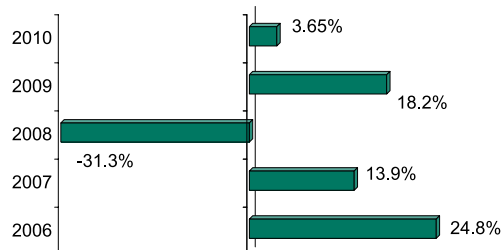
The return for the year was slightly behind expectation when measured against index.

Global Fixed Interest Returns



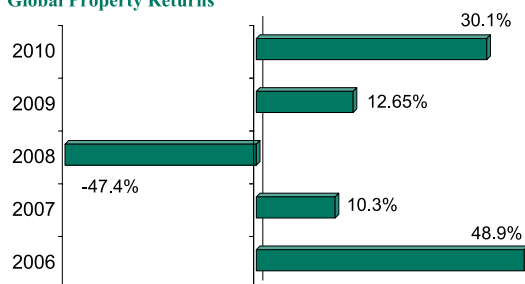
As for 2009, the manager used by TOWER, PIMCO (Pacific Investment Management Company), out-performed the index for the year, by a significant margin.

NZ Equities Returns



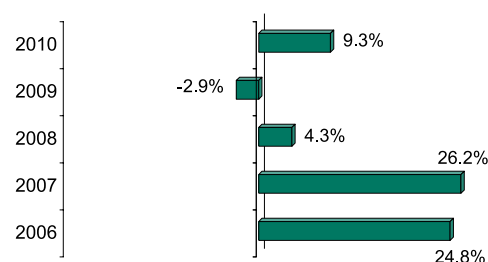
The manager, ING, now named One Path, underperformed the benchmark because the Australian share component (about 15% by value) of the portfolio under-performed the NZ Equities index. The New Zealand equities component of the portfolio out-performed the index.

Global Property Returns



An impressive return for the year although not as good as the index. This sector has continued to show high volatility, albeit somewhat masked within the annual return.

International Equities Returns hedged



A disappointing result when compared to index for the JANA fund.

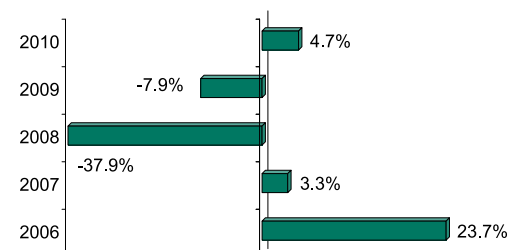
The JANA fund contains three managers, with under-performance from two during the year. JANA advised during October one manager will be replaced.

Shortly before that advice, the BOM decided to replace JANA as manager for this sector, with implementation scheduled for January 2011.

The replacement will also be a multi-manager product with addition of exposure to emerging markets, and currency hedging at the same level as currently in place although with a different structure.

Note: the 2008 line in the graph below shows only JANA returns for the period 25 January – 31 October

International Equities Returns



Hedging - Currency risk arises when an investor acquires assets that are denominated in a foreign currency. By their nature, future currency rates cannot be predicted with certainty. As a consequence future returns in the 'home' currency are less predictable. For the fund, a hedge is a forward currency contract to manage currency risk. It is a way of offsetting the substantial currency position taken when investing offshore. Hedges are held for the International Bond and Equities investments.

The level of hedge set is a function of aversion to risk and ability to forecast portfolio values. For International Bonds a hedge ratio of 100% is advised as appropriate. That is because the absolute volatility of investment returns in the short term is low, and the additional volatility introduced by currency risk is appreciable in relative terms. For International Equities the ratio from 1 November 2006 was 150% pre-tax. Because of tax arrangements specific to the International Equities passive product, a 150% post tax hedge approximated to a 100% pre-tax hedge level.

SCHEME SURPLUS

An 'excess surplus' of about \$4.2m held at 31 October 2009 (over and above the buffer held for the Non-Division 2 liabilities) was distributed, in agreement with the Bank, by continuing the arrangements in place for subsidy and gearing for 2009. It was depleted during April 2010. From the pay period ending 29 April 2010 the Bank began to pay in cash fortnightly to the scheme, to a maximum employer contribution rate of 7% at a gearing ratio of 1: 1. The Bank paid the contributions net of ESCT for the remainder of the Scheme financial year 2010. That is, the Bank absorbed the ESCT.

As at 31 October 2010 the scheme surplus value of about \$4.6m was in line with an amount agreed as a 'buffer' for the Non Division 2 actuarial liabilities.

The scheme Actuary changed the mortality assumption for calculating the pension liabilities, from a 'PA 90 -3' table to a NZ Life Table 05/07 with a 1.5 year set back. The change had an effect of increasing the pension liabilities value, thereby reducing the surplus. This is also available to meet fluctuations in the Non Division 2 Investment returns.

ACTUARIAL DECLARATION

The most recent [actuarial examination](#) required by Section 15 of the Superannuation Schemes Act 1989 was carried out as at 31 October 2008. The valuation revealed that the fund was in a sound position with an actuarial surplus of approx. \$31.3m. The actuary advised it was appropriate for the Bank to continue its contribution holiday until excess surplus was depleted (i.e., the Bank's subsidy could be sourced from the Scheme's surplus funds). The Board complied with that advice.

Following the reduction in the scheme surplus to about the buffer value of \$4.6m, the Bank has paid actual contributions to the scheme in accordance with the scheme Rules.

The Board receives updates from the Actuary of the Pensioner and Division 1 liabilities annually. These Division 1 and Pension liabilities are included in the financial statements for the year ended 31 October 2010 at \$39,988,000.

A full formal review of the financial position of the fund, conducted by the scheme's actuary. The review determines whether the scheme is 'on track' to pay current and future benefits from its own funds, and provides an opinion on the funding for the Bank subsidy.

An actuary is a mathematician skilled in making financial calculations and economic projections, who may advise on funding requirements and benefit calculations applicable to defined benefit superannuation schemes.

SAVING FOR RETIREMENT

Have you considered what age you will retire at and how much retirement income you will need from that time?

There have been a number of studies undertaken that will assist you with answers, as will the Retirement Commission's web site www.sorted.org.nz.

The purpose of this short article is to highlight that saving at the 2% + 2% rate currently in place for KiwiSaver is unlikely to be enough for those with aspirations of a comfortable lifestyle. Indeed, the current 6% +6% in place for many OPA members may be insufficient.

The information that follows draws heavily on information provided courtesy of Russell Investments. It is subject to a disclaimer (refer end of article). The scheme actuary is of an opinion that the information is relevant in a context of providing you with thoughts for consideration in planning for your retirement but that each individual member should take their own professional advice before acting on this article.

The current age for receiving NZ Superannuation is age 65; for a couple both of that age today, there is more than a 50% chance that at least one of them will be alive at age 90. This means that if you want to live well in retirement you need to be financially prepared for your retirement savings at age 65 to last for a significant period.

For example, we have had pensioners who were paid a pension for as many years as they worked for the Bank – in some cases that was 35-40 years.

Once you have worked out how much you will need to live on in retirement – you may have seen it cited as about 70% of your pre-retirement income - you can look to the question of how much you will need to have saved.

As a simple savings guide you can monitor your retirement savings progress against the table below. To use the table just find the age closest to yours now and multiply your current total gross salary by the figure under the relevant age to obtain an estimate of what your OPA benefit entitlement and other retirement savings should be now. Care is needed in using the table, especially where the salary value used is for a part-time position.

Simple savings guide

Your age now	Age 25	Age 30	Age 35	Age 40	Age 45	Age 50	Age 55	Age 60	Age 65
Multiple of current salary (before-tax)	1.68	2.48	3.36	4.32	5.39	6.56	7.85	9.26	10.82

Assumptions:

- post-retirement after-tax income of 60% of pre-retirement gross income; 60% after-tax is approximately 70% gross allowing for a 15% tax rate in retirement
- post-retirement income paid monthly
- savings will last 25 years in retirement, from age 65 to 90
- rate of return is a constant 5.5% p.a. net of tax and expenses
- pre-retirement salary growth rate of 3.5% p.a.
- post-retirement inflation rate of 2.5% p.a.
- pre-retirement contributions of 12% p.a.
- NZ Superannuation or any other Government provided social security benefits have been ignored

For example at age 50 on a \$100,000 salary, it is estimated that you would currently require lump sum savings of \$656,000 (\$100,000 times 6.56).

Allowing for New Zealand Superannuation

NZ Superannuation currently provides a universal pension from age 65. Assuming this will be payable when you retire, it will reduce the savings otherwise required. As a rough guide, if you wish to allow for NZ Superannuation, firstly reduce your gross income by:

- Married couple - \$41,500
- Single person living alone- \$27,500
- Single person sharing - \$25,000

Assumptions:

- gross rates of NZ Superannuation are currently approximately \$29,200 for a married couple, \$19,400 for a single person living alone and \$17,800 for a single person sharing
- using the 60% after-tax income and 15% tax rate assumptions above, the above amounts represent gross income levels such that 60% thereof is broadly equivalent to the applicable rate of NZ Superannuation less tax at 15%

For example at age 40 on a \$100,000 salary and allowing for the married couple rate of NZ Superannuation, it is estimated that you would currently require lump sum savings (OPA benefit plus other savings) of \$253,000 (\$100,000 less \$41,500 = \$58,500 times 4.32, rounded).

Are your savings on track?

From analysis of data held within the scheme registry system, and if OPA is the only retirement savings held, the results suggest that some members may be on track, but the average member's entitlement is less than might be required.

That said, if your estimation shows there is a gap, don't panic. The table above is a guide only. Its intention is to get you to focus on what you should be doing. You may need more or less than about 70% of your pre-retirement income to fund your retirement and the above numbers are calculated using assumptions that may not be entirely appropriate for your circumstances.

You may also have other savings that have not been factored into the estimates above, that you expect to provide income – e.g., a separate investment in shares; releasing capital for investment by selling your current property and purchasing a cheaper one (net of mortgage).

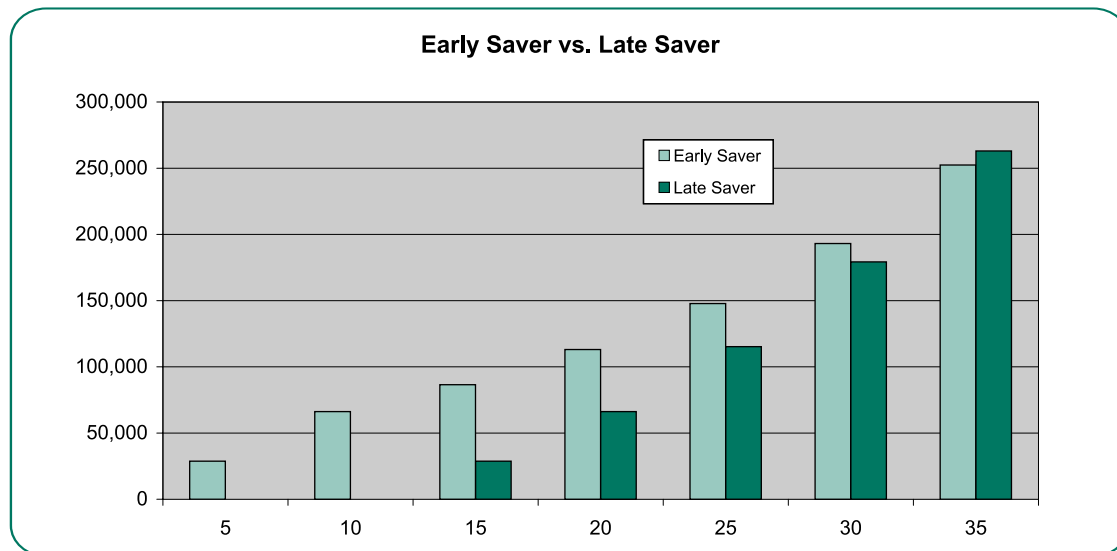
What next?

The next step is to encourage you to make it happen. You may find assistance by visiting the various calculators provided at www.sorted.org.nz, and at other websites, and you can influence how much you will have available at age of retirement by a combination of the level of contributions you make, and by the investment option you select (ensuring it has a good fit with your appetite for risk).

Starting Sooner Rather Than Later

It's opportune to remind you as Bankers of the effect of compound interest. The chart below highlights the impact of saving sooner rather than later.

- Suppose there are two savers with 35 years until they expect to retire:
- Both savers have annual savings of \$5,000 (\$192 per fortnight) and receive 5.5% earnings (after tax and expenses) each year.
- The early saver starts saving at year 1 and stops saving after 10 years. The balance continues to grow as earnings accumulate.
- The late saver starts saving at year 11 and continues to save right through to year 35.



At year 10

Early saver = \$66,200

Late saver = \$0

At year 15

Early saver = \$86,500

Late saver = \$28,700

At year 35

Early saver = \$252,450

Late saver = \$263,000

After 25 years of saving, the late saver has just managed to accumulate slightly more than has the early saver.

Important - Russell Investments disclaimer

The savings guide has been provided by Russell Investments to assist members of OPA in planning for retirement and should not be used for any other purpose. The results are general in nature and are not specific to any individual. They are based on estimates for the future and cannot be guaranteed. It is highly recommended that the results are reassessed on a regular basis as you draw closer to retirement and the results be used in conjunction with appropriate financial planning advice.

Russell Investments advise that while the assumptions and methods used to prepare these results are based upon information believed to be appropriate at the time of preparation, they:

- provide no guarantee that the results will represent the actual outcome;
- provide no guarantee that any of the assumptions will be suitable for your particular circumstances;
- do not provide any warranty of reliability or accuracy of the information provided, including adequacy of retirement incomes, likely investment returns, salary and price inflation, taxation and expenses; and
- further advise that the results should not be relied upon as a substitute for financial planning advice.

MEMBERSHIP

Membership changes for the 2009/2010 scheme year

	Division 1	Division 2	Total	Exit Value \$m
Opening membership 1 November 2009	1	2811	2812	
<i>Plus:</i> New members		498	498	
<i>Less:</i> Resignations		224	224	5.778
Redundancies		90	90	5.253
In-service withdrawals		130	130	4.097
Normal retirements		4	4	0.722
Special Benefits				3.990
Partial withdrawals				2.071
Closing 31 October 2010	1	2861	2862	21.911

Pensioner changes for the 2009/2010 scheme year

	Pensioners	Widows / Widowers	Children	Total
Opening as at 1 November 2009	92	91	3	186
<i>Plus:</i> New		1		1
<i>Less:</i> Deceased	3	10	0	13
Closing as at 31 October 2010	89	82	3	174

Commentary

At year end Division 2 membership had increased by 50 (in 2009 there was a decrease of 189).

A member choice investment option 'switch' election as of 1 May 2010 resulted in about 330 members switching options. That was an increase over 2009 of about 140 members. As at 31 October 2010 the analysis of member choice investment options by membership numbers was:

Option	2010	2009	2008
Balanced	56%	54.5%	62%
Balanced 17.5	11.5%	10%	10%
Cash	15%	18.5%	11%
Cash 17.5	3%	4%	2.5%
Growth	12.5%	11.5%	12%
Growth 17.5	2%	1.5%	2.5%

The split by benefit entitlement values was about 76% to combined Balanced, 15% to combined Cash and 9% combined Growth respectively (2009, 71%, 20% and 9%).

RULE AMENDMENTS

There were no Rule amendments during the year ended 31 October 2010.

MEMBERS OF THE BOARD OF MANAGEMENT

The BOM is made up of four representatives appointed by the Bank and four elected by members of the scheme. On, or about, 31 October 2010 members of the Board of Management were:

<i>Name</i>	<i>Bank Position</i>	<i>Constitution</i>	<i>Changes</i>
Bank-appointed representatives			
Martin Philipsen	Chief Risk Officer, Risk Management NZ, Auckland	BOM member since March 2006; appointed by the Board of Directors of the Bank, May 2007. Chairperson since May 2007.	
Paul Steven Bevin	Independent of Bank, Wellington	Since July 2005, appointed by the Chief Executive of the Bank	
Glenn Robert Patrick	Chief Operating Officer, Retail Banking, Wellington	Appointed May 2007, nominee of the Chief Executive of the Bank	
Vacancy		Appointed by the Board of Directors of the Bank	Chris Bayliss left June 2010
Member-elected representatives			
Matthew Rowland Cullum	Head of Retail – Delivery & Risk, Retail Banking, Auckland	Must reside in North Island Elected 28 October 2008	
Hugh Alexander Smith	Special Counsel, Wellington	Must reside in North Island Elected September 2006 Re-elected September 2009	
Neil Watson Bradley	General Manager Group Balance Sheet Management, Group Treasury, National Australia Bank, Melbourne	If no Division 1 member nominated, a Division 2 member Elected 28 October 2008	
Matthew James Eaden	Partner, Business, BNZ Partners, Christchurch	Must reside in South Island Elected March 2007; re-elected July 2010	Re-elected unopposed

ADVISORS TO THE BOARD OF MANAGEMENT

While carrying out its regular duties throughout the year the Board called upon a number of expert advisers. Advisors to the Board for the scheme year under review were:

Actuary:

Michael Robinson of Mercer (NZ) Ltd, P O Box 105 591, Auckland

Auditor:

Deloitte, P O Box 1990, Wellington

Solicitors:

Chapman Tong Law, P O Box 10 614, Wellington

Investment:

Russell Investments Limited, P O Box 105-191, Auckland

Tax:

KPMG, P O Box 996, Wellington

The Investment Managers were:

JANA Investment Advisers, Melbourne, Australia

TOWER Asset Management Limited, P O Box 2798, Wellington

AMP Capital Investors Limited, P O Box 3764, Wellington

ING (NZ) Limited, P O Box 7149, Auckland (changed name to One Path from 8 November 2010)

From time to time the Board also calls on other expert advisers to assist with specific issues.

BOARD OF MANAGEMENT SUBCOMMITTEES

The role of the Subcommittees is to assist the Board to achieve its governance responsibilities and investment objectives through in-depth analysis and regular review of issues impacting on the OPA. Each committee operates to a charter. The main issues addressed during the year were to:

Audit & Risk

- review key personnel risks and recovery plans
- negotiate the annual audit programme.

Investment

- monitor investment performance (quarterly) and strategy with advice from Russell Investments
- SIPO and investment option – strategic review
- review International Equities sector management (change to be implemented)

Strategy and Communications

- review use of excess surplus
- consult with the Bank on employer contribution level for period commencing 1 November 2010.

DECLARATION BY THE BOARD OF MANAGEMENT

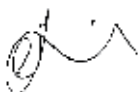
The Superannuation Schemes Act 1989 requires that trustees of all registered superannuation schemes make the following declarations to confirm that their scheme has been operating within certain guidelines. There are additional declarations (last two bullet points) this year in anticipation for dispensation from filing a scheme prospectus.

The Board of Management:

- confirms that all contributions required to be made to the scheme, in accordance with the Rules of the OPA, have been made,
- certifies that all benefits required to be paid from the scheme, in accordance with the Rules of the OPA, have been paid,
- certifies that the market value of the assets of the scheme at 31 October 2010 exceeded the total value of benefits that would have been payable had all members of the scheme ceased to be members at that date, and had provision been made for the continued payment of all benefits being paid to members and other beneficiaries (such as pensions) as at 31 October 2010,
- advises that more than 10% of the market value of the OPA's assets were invested with companies associated with Bank of New Zealand through investments through JANA Investment Advisers Pty Limited (a subsidiary of National Australia Bank, owner of Bank of New Zealand) and Bank of New Zealand itself, during the year as follows:
 - approx. \$39.8m was invested in the JANA multi-manager core global equities product
 - approx. \$6.9m was invested in Bank of New Zealand bonds and discount paper via New Zealand Fixed Interest, and Cash mandates with ING (NZ)
 - currency hedge arrangements with Bank of New Zealand for the International Equities investment for approx. 26.5m.
- confirms the abridged financial statements within this Report were authorised for issue on 26 November 2010.
- is of the opinion, after due inquiry, neither or both of the following have materially and adversely changed since the end of the 31 October 2010 financial year:
 - the value of the scheme's assets relative to its liabilities (including contingent liabilities), and
 - The ability of the scheme to pay its debts as they become due in the normal course of business.
- states that the Bank, as employer sponsor, was required to incur costs in the financial year ended 31 October 2010 (by way of contributions, expenses payments or both) in the form of employer contribution payments of \$4.7m (rounded) from 29 April 2010 to 28 October 2010.
- As at 31 October 2010, all eligible BOM members were members of Division 2 of the scheme. Paul Bevin was not eligible to be a member.



Glenn Patrick
for and on behalf of the Board of Management



Hugh Smith

ABRIDGED FINANCIAL SUMMARY AND NOTES

The abridged financial statements are an extract from the Bank of New Zealand Officers' Provident Association full statutory format financial statements, signed on 26 November 2010, with an unqualified audit opinion. They should be read in conjunction with Notes 1 to 3 below and Notes 1 to 20 from the full financial statements. The abridged financial statements do not provide as complete an understanding as the full statutory format financial statements. If you would like to receive a free copy of the full set of financial statements, please contact the Scheme Secretariat.

FINANCIAL PERFORMANCE

Key results shown in the financial statements that follow include:

- The main revenue contributors were:
 - gains from the Global Fixed Interest investment of about \$6.5m.
 - gains from the Non Division 2 assets of about \$4.2m;
 - interest income from the New Zealand Fixed Interest and Cash sectors of about \$2.5m;
 - gains from Global Property Securities sector of about \$2.3m
 - gains from the International Equities investments of about \$2.2m which split as product gains of about \$1.6m and associated currency hedging gains of about \$0.6m;
 - losses of about \$0.2m plus dividends / interest of about \$0.6m from New Zealand Equities;
- recurring operating expenses were at about the same level as last year
- Income tax expense at about \$4.7m – main taxable income was from the Global Fixed Interest, Global Property and Non Division 2 sectors
- Benefits paid were at about the same level as last year. Member fortnightly contributions received were about \$0.3m below last year; employer subsidy ex the scheme surplus and paid employer contributions (excluding gearing) were at about the same level; and gearing value was about \$1m lower as it only applied until April.
- The scheme surplus, shown under Member Liabilities reduced in value during the year, as shown in the analysis below. Transactions affecting the surplus summarised as:

Opening value	\$14.2m
Plus / (less)	
Bank subsidy allocation	(4.8)
Special benefit allocation	(5.0)
Pensioner / Division 1 adjustments	(0.6)
Vesting fall back from exits	0.4
Undistributed earnings 2010	0.4
Closing value	\$4.6m

There was rebalancing of investment assets during the year when required because of investment value movements.

BANK OF NEW ZEALAND OFFICERS' PROVIDENT ASSOCIATION

SUMMARY STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 October 2010

	2010 \$(000's)	2009 \$(000's)
INVESTMENT ACTIVITIES		
Investment revenues / (losses)		
NZ Fixed Interest & Cash revenue	1,856	1,814
Global Fixed Interest revenue	298	309
NZ Equities dividend & interest	592	647
Non Division 2 assets - Fixed interest	2,613	(1,277)
Non Division 2 - Swap cash flow movements	0	1,608
International Equities rebate income	12	6
Global Property rebate incomes	65	
Changes in net market values		
• Realised Gains / (Losses)	588	2,948
• Unrealised Gains / (Losses)	13,273	12,262
Total investment revenues	19,297	18,317
Other income		
Miscellaneous income	0	41
Total other income	0	41
Total investment revenues	19,297	18,358
Less Investment management fees	836	771
Net investment activities	18,461	17,587
Operating expenses		
• Audit fees	30	32
Other fees paid to Auditors	2	0
Actuarial fees	11	42
Depreciation	2	19
General expenses	51	60
Interest expense	0	0
Other professional fees	175	160
Staff	217	206
BOM remuneration	20	20
Non-deductible GST	34	37
Use of money interest - IRD	76	0
Total operating expenses	618	576
Net income/(deficit) before tax and membership activities	17,843	17,011
Income tax expense	4,652	5,566
• Net income/(deficit) after tax and before membership activities	13,191	11,445
MEMBERSHIP ACTIVITIES		
• Members' contributions	14,536	10,120
• Less Benefits paid	26,092	25,540
Net membership activities (decrease)	(11,556)	(15,420)
Net (decrease) in assets	1,635	(3,975)
Net assets available to pay benefits at beginning of year	204,399	208,374
Net assets available to pay benefits at end of year	206,034	204,399

A realised gain is the increase in value received on the sale of an investment.

When the market value of an asset increases that capital gain in its value is shown as an unrealised gain in the accounts. The asset has not been sold only its capital value has increased, but the gain is made available for distribution to members. Similarly, if the market price falls the capital value of the assets decline it is an unrealised loss and that reduces the amount of income to be made available for distribution.

Fees paid to the auditors (Deloitte) split into two sections; 'Audit Fees' which represent the fees paid for the audit of the statutory accounts at financial year end; and 'Other fees paid to Auditors' being fees paid to the auditor primarily for 'Agreed Upon Procedure' engagements

Net Income / (Deficit) after Tax - The amount used in the earnings rate calculation as earnings, after adjustment for costs taken from the surplus.

Includes members' contribution from salary and lump sum voluntary contributions. It does not include Bank subsidy contribution, as it is not a cash inflow, but a transfer from the surplus to members balances. It does not include employer contributions paid since May 2010.

Payments made to pensioners and benefits paid to those members who left the scheme due to resignation, redundancy etc.

To help you understand some of the items shown in these statements items highlighted in green like this are included in comment boxes to the side of this statement.

BANK OF NEW ZEALAND OFFICERS' PROVIDENT ASSOCIATION

SUMMARY STATEMENT OF NET ASSETS

as at 31 October 2010

	2010 \$(000's)	2009 \$(000's)
Investments		
Cash mandate	31,840	35,492
NZ Fixed Interest	13,539	13,481
Non Division 2 assets – Fixed Interest	45,290	56,053
Equities – NZ & Australia	14,166	14,220
Global Fixed Interest (TOWER product)	51,181	44,824
International Equities – JANA product	39,770	32,568
International Equities – basket to NZ hedge	530	1,910
Global Property Securities (AMP product)	11,892	9,395
	208,208	207,943
Other assets		
Bank accounts	24	277
Accounts receivable	269	55
Fixed Assets	3	3
Deferred tax asset	16	0
	312	335
Total assets	208,520	208,278
Deduct liabilities		
Accounts payable	411	257
Current tax	2,075	3,192
Deferred tax liability	0	430
Total liabilities	2,486	3,879
Net assets available to pay benefits	206,034	204,399
Represented by member liabilities		
Division 2	161,444	148,981
Division 1 & Pension liability	39,988	41,200
Undistributed earnings – current year	411	1,012
Scheme surplus	4,191	13,206
	206,034	204,399

Fixed Assets - The value of the assets held in the Secretariat offices mainly computer equipment.

Division 2 Liability - represents the accumulation of individual member balances recorded in the Association's membership system (Rapps) at 31 October 2010 after allocating earnings for the 2010 year.

Division 1 Liability - The value the actuary determines is required to cover the remaining Division 1 member Pension Liability - The amount the actuary determines is required to pay future pensions to OPA pensioners.

Undistributed Earnings 2010 - The amount of earnings remaining in the Fund after allowing for allocation of earnings to members, interim earnings paid to exited members and the pensioner / division 1 liability.

Summary Statement of Cash Flows

for the year ended 31 October 2010

	2010 \$(000)'s	2009 \$(000)'s
Net cash flows used in operating activities	(14,749)	(19,286)
Net cash flows from investing activities	14,496	19,375
Net increase in cash held	(253)	89
Add opening cash brought forward	277	188
Closing cash carried forward	24	277

To help you understand some of the items shown in these statements items highlighted in green like this are included in a comment boxes to the side of this statement.

The full statutory financial statements for the year ended 31 October 2010 comply with International Financial Reporting Standards, New Zealand equivalents to International Financial Reporting Standards (NZIFRS), and other applicable financial reporting standards, as appropriate for profit-oriented entities.

The accounting policies adopted are:

- The measurement base adopted is that of historical cost modified by the revaluation of assets which are measured at fair values at balance date.
- Statutory Base: These financial statements have been prepared in compliance with FRS 43 (summary financial statements), the Superannuation Schemes Act 1989, Financial Reporting Act 1993 and the Bank of New Zealand Officers' Provident Association Rules.

The measurement currency is New Zealand dollars.

NOTE 1 - Contingent Liabilities

Agreement as to Future Use of Surplus

The Board of Management and the Bank concluded an agreement in October 2004 which set out a management plan for the surplus until 2009, at which time the Fund was expected to be in equilibrium. The agreement contained member benefit improvements for the 1995 to 2001 period and the 2005 to 2009 period.

It was agreed that up to \$25 million of surplus would be used for Special Member Benefits from 2005 to 2009, subject to providing additional protection for the pension liability (by a % of that being retained as surplus) and a Bank contribution holiday to 2009 based on a subsidy rate of 7% and a subsidy ratio of 1:1.

The agreement is detailed in Rule amendments which were sanctioned by the directors of the Bank and a Memorandum of Agreement. It prescribes how the Bank contribution rate and the amount of surplus to be released between 2005 and 2009 was determined. The Bank contribution subsidy was ordinarily to be set at 7% and the subsidy ratio at 1, unless there were circumstances which allowed for the level of the Bank subsidy to be lowered or increased.

\$5 million was released each year for Special member Benefits. The final allocation of \$5m was made to members on 6 January 2010 for the year ended 31 October 2009. For the 2008 and 2009 years a gearing ratio of 1:1.2 was applied because circumstances were such that extra surplus required distribution as Bank subsidy. Although the payment of the Special Member Benefits should have returned the Fund to equilibrium, in 2009 surplus assets still remained in the Fund as at 31 October 2009. The Board and the Bank agreed to apportion the remaining excess surplus between the Bank and benefits to members, by continuing the subsidy level and gearing ratio that was in place until the excess surplus was extinguished. That occurred late in April 2010. Since that date the Bank has paid an employer contribution at the subsidy level of 7%, at a gearing ratio of 1:1 (in place of 1:1.2). The Bank has absorbed applicable employer superannuation contribution tax.

The Bank has set the employer contribution level at 6% (ratio 1:1) for the financial 2011 year.

There were no other contingent liabilities at 31 October 2010 (2009: nil).

NOTE 2 – Vested Benefits

Vested benefits are the rights which are not conditional on continued membership, under the conditions of the Association. The total vested accrued liability was \$174.7 million, compared to assets of \$208.4 million, per the actuarial valuation as at 31 October 2008. The difference (\$33.7 million) between these two amounts reduced to the extent the Bank continued to meet its subsidy from the surplus and also reduced to the extent that members accrued additional service and were allocated Special Benefits. The equivalent total vested accrued liability at 31 October 2010 (to \$174.7m) was \$199.1 million, compared to assets of \$206.0 million. The surplus value on a vested accrued liability basis was about \$4.6 million, with non-vested benefits being about an additional \$2.3m.

NOTE 3 – Events Subsequent to Balance date

Any movements in market value of investments from balance date to the date of issue of this report have not been reflected in these financial statements.

Negotiations commenced in November to change the investment management and hedging arrangements for International equities sector assets.

There were no other material events subsequent to balance date.

INDEPENDENT AUDITOR'S REPORT

To the Members of the Bank of New Zealand Officers' Provident Association (BNZOPA)

Report on the Summary Financial Statements

The accompanying summary financial statements of the Bank of New Zealand Officers' Provident Association ("BNZ OPA"), on pages 18 to 20 which comprise the summary statement of net assets as at 31 October 2010, 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 BNZ OPA for the year ended 31 October 2010. We expressed an unmodified audit opinion on those financial statements in our report dated 26 November 2010.

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 BNZ OPA.

This report is made solely to BNZ OPA's members, as a body. Our audit has been undertaken so that we might state to BNZ OPA'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 BNZ OPA's members as a body, for our audit work, for this report, or for the opinions we have formed.

Board of Managements' Responsibility for the Financial Statements

The Board of Management 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 Standards on Auditing (New Zealand) 810 *Engagements to Report on Summary Financial Statements*.

Other than in our capacity as auditor, we have no relationship with or interests in BNZ OPA.

Opinion

In our opinion, the summary financial statements are correctly extracted from the audited financial statements of BNZ OPA for the year ended 31 October 2010 and are consistent, in all material respects, with those financial statements, in accordance with FRS-43.



Chartered Accountants

26 November 2010

Wellington, New Zealand

STATEMENT OF INVESTMENT POLICY AND OBJECTIVES

What is it?

It is a formal description of the terms and responsibilities for investment of the scheme assets, specifying the risk levels acceptable, and giving consideration to the purpose of the fund as defined within its Rules. It does not cover how the funds are invested or the instructions to / expectations of a fund manager; those are incorporated in separate investment guidelines. The statement is reproduced below, with changes during the year shown in green type and underlined.

Introduction

The Bank of New Zealand Officers' Provident Association (OPA) scheme may be considered a hybrid, consisting of a closed defined benefit section (Division 1) and a defined contribution section (Division 2). Division 2 contains all but one of the members and is akin to a cash accumulation scheme. The OPA, established over 100 years ago, operates under an Act of Parliament, Bank of New Zealand Officers' Provident Association Act, 1971(the Act) and is governed by the OPA Rules.

The primary purpose of the scheme now is to receive, manage, and administer contributions from members and subsidy from the Bank of New Zealand (the Bank), and to pay benefits, in accordance with the Rules. The Rules were last amended during May 2007.

Division 2 of the scheme as a voluntary cash accumulation one, accounts for each member's individual interest, based on contributions received from the member and the Bank, and sums allocated per the Rules from the earnings of the investment portfolio administered by the Board of Management (BOM).

The BOM are elected by the members and appointed by the Bank in accordance with the Rules. The management of the investment assets of the scheme, undertaken by the BOM, is determined by the Rules and the Act.

This 'Statement of Investment Policy and Objectives' (SIPO) for the scheme is reviewed as needed, but at least annually, to ensure that the contents remain valid to satisfy the requirements of the OPA.

Board of Management Responsibility

The Act describes in section 5 (Powers of Association) the powers, rights, and authorities available to the Board. Specifically Section 5 (2) (k) states:

'Invest and deal with the moneys of the Association in the manner authorised by the rules...'

In turn, Rule C3.3 covers Investment. It states in part:

'...The moneys of the Association may be invested in the name of the Association, or in the name of the Bank's nominee company or a trustee company or corporation as trustee or agent for the Association, in any manner authorised by law or by the Trustee Act 1956 and the Superannuation Schemes Act 1989, as the Board may in its discretion decide.....'

The BOM is responsible for:

- determination of the level of investment risk acceptable for the scheme, and interpreting this into an appropriate investment strategy.
- determination of investment guidelines and objectives for the efficient implementation and ongoing management of the scheme's investment portfolio.
- appointment of an investment manager or managers, to undertake the investment of the OPA's assets. The appointment/s to be arranged in such a manner, that the investment manager/s is mandated to fulfil an investment function as directed by the BOM. The appointment/s is reviewed at intervals of not less than every 3 years to ensure that the investment objectives of the OPA are satisfied.
- efficiently managing the scheme, meeting formally at least every 3 months to review performance, and any matters of policy on recommendation from the Investment sub-committee. The BOM appoints a Secretary to administer the scheme on an on-going basis.
- employing other consultants for external advice and services and to determine their degree of responsibility towards efficient operation of the scheme.

The BOM has a sub-committee structure within which the Investment sub-committee considers and reports to the BOM on the responsibilities outlined above.

In determining the investment policy and objectives, the BOM recognises the concept of [prudential investment in accordance with](#) the Trustee Act. That policy prevails in the management of the OPA's investment portfolio (with exception to be made for non-diversified member choice investment options) by being advised to, and understood by the appointed investment manager/s.

During 2003 Member Choice Investment Options were introduced for Division 2 members and the SIPO modified by adding Investment Objectives for each option to a similar format to that already in place. In December 2005 the Investment Objectives section for each option was modified to a different format. This [\(October 2010\)](#) version has changes to the Investment Objectives section for each option from regular review of the SIPO by the Board of Management.

Investment Policies

The investment policies set by the BOM are:

1. Investment risk must be minimised for the expected level of return.
2. An appropriate level of portfolio risk will be determined and accepted by the BOM in consultation with its advisors.
3. Portfolios will accept risks in a prudent manner.
4. An appropriate level of diversification across securities, sectors, asset classes and countries must be maintained, relative to the objectives for that portfolio.
5. Tax efficiency is regarded as important.
6. Liquidity must be maintained at an appropriate level given that medium term liquidity is expected to remain negative.
7. Costs incurred in the running of the scheme will be controlled as effectively as possible.
8. Flexibility must be accommodated to allow for changes in the members' needs, and the economic, social, political and investment environments.
9. The portfolios and investment managers will be monitored on an on-going basis.
10. All aspects of the investment process and functions must be reviewed regularly.
11. The BOM's responsibilities under common law and statute must be met, except where otherwise excluded within the Rules.

Investment Objectives

Cash (& Cash [17.5](#) from 1 [October 2010](#); [19.5 prior](#))

The objective of this option is to provide returns consistent with traditional cash investments such as term deposits. To achieve this, the fund will invest in a portfolio of wholesale New Zealand cash [and short term investments](#).

The target investment return from investing 100% in wholesale cash will be to perform closely in line with the ANZ 90 Day Bank Bill Index (a wholesale cash benchmark), [adjusted to take into account tax \(at 28% from 1 October 2010; 30% prior\)](#), fund expenses and fees.

In any given year this option has a negligible probability of experiencing a negative return, [after tax](#), fund expenses and fees are taken into account.

Balanced (& Balanced [17.5](#) from 1 [October 2010](#); [19.5 prior](#))

The objective of this option is to provide returns over the long term that are moderately higher than those of traditional cash investments. Returns will be generated from both income and capital growth. There [will](#) be variations in returns from year to year, including the prospect of negative returns.

This option will invest across a diversified mix of asset classes including, but not limited to, cash, fixed interest, equities and property. The allocations to income assets (cash and fixed interest) and growth assets (equities and property) [will be roughly equal](#).

The target investment return will be to outperform, over a long term horizon, the ANZ 90 Day Bank Bill Index (a wholesale cash benchmark) by [1.5% p.a., after tax \(at 28% from 1 October 2010. 30% prior\)](#), fund expenses and fees are taken into account.

[For](#) this option [the](#) probability of experiencing a negative return [over any five year period is approximately 1 in 25, or 4%, after tax](#), fund expenses and fees are taken into account. A negative return may be experienced in consecutive years.

Growth (& Growth 17.5 from 1 October 2010; 19.5 prior)

The objective of this option is to provide returns over the long term that are materially higher than those of traditional cash investments. Returns will be generated from both income and capital growth. There will be wide variations in returns from year to year, including the prospect of negative returns.

This option will invest across a diversified mix of asset classes including, but not limited to, cash, fixed interest, equities and property. The allocation to growth assets (equities and property) will be significantly higher than the allocation to income assets (cash and fixed interest).

The target investment return will be to outperform, over a long term horizon, the ANZ 90 Day Bank Bill Index (a wholesale cash benchmark) by 2.5% after tax (at 28% from 1 October 2010; 30% prior), fund expenses and fees are taken into account.

For this option the probability of experiencing a negative return over any five year period is approximately 1 in 10, or 10%, after tax, fund expenses and fees are taken into account. A negative return may be experienced in consecutive years

(Note: the 17.5 in each option label was 19.5 from 2 November 2007 to 30 September 2010)

FURTHER INFORMATION

If you would like more information about matters covered in this report or about scheme membership in general, you should contact:

The Scheme Secretariat	E-mail: bnzopa@bnz.co.nz
Bank of New Zealand Officers' Provident Association	Telephone: (04) 474 6780
P O Box 2392	Fax: (04) 474 9048
Wellington	

Members of the Secretariat are:

Bruce Burrows, Business Manager
Cyril Bray, Administration Officer

You may view or receive, at no cost, a copy of any of the following material on request to the Scheme Secretariat:

- Full set of financial statements
- the OPA's Investment Statement
- recent Annual Reports
- the Rules of the OPA
- latest triennial [actuarial valuation](#)
- The Investment Statement, Rules, and recent Annual Reports are all available for reading on the Association's web-site

Complaints, Disputes and Communications

The OPA had formally adopted dispute handling procedures in accordance with recommendations from the Retirement Commissioner. From December 2010 a disputes resolution service is available under the Financial Service Providers (Resolution and Dispute Resolution) Act 2008. If you have a complaint or dispute in relation to the operation of the OPA you should contact the Chairperson at the address shown below.

Communication with the BOM

If you wish to communicate with the BOM, the address for correspondence is:

The Chairperson
Bank of New Zealand Officers' Provident Association
P O Box 2392
Wellington

Your feedback is welcome

The BOM is committed to keeping members informed of the significant issues facing the scheme. The main communication channels used are email and the web-site www.bnzopa.co.nz.

