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BANK OF NEW ZEALAND OFFICERS' PROVIDENT ASSOCIATION

Bank of New Zealand Officers' Provident Association

Annual Report

For the year ended 31 October 2015

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DISCLAIMER

The information contained in this Annual Report provides general information only and should not be relied upon in making an investment decision. In particular, the information is not personalised financial advice for the purposes of the Financial Advisers Act 2008.

BOARD OF MANAGEMENT

The Board of Management (Board) is pleased to present the 128th Annual Report.

Pages 4 to 11 are mainly relevant just to Division 2 Members and page 12 is mainly of interest to pensioners.

The Board comprises four representatives appointed by the Bank and four elected by Members of the Scheme. Members of the Board are:

Name	Bank Position	Constitution	2015 Changes
Bank-appointed representatives			
Christopher Harril Reid	Chief General Counsel, Auckland	Appointed by the Board of Directors of the Bank, April 2013. Chairperson since April 2013	
Paul Steven Bevin	Independent of Bank and Members, Wellington	Since July 2005, appointed by the Chief Executive of the Bank	
Graeme David Liddell	Head of Markets, Wellington	From December 2013, nominee of the Chief Executive of the Bank	
Jacqueline Maree Farman	Financial Controller, Auckland	Appointed September 2015, by the Board of Directors of the Bank	Replaced Shelley Maree Ruha
Member-appointed representatives			
Matthew Rowland Cullum	Divisional Chief Risk Officer Retail and Marketing, Auckland	Must reside in North Island Elected October 2008; re-elected October 2011 and October 2014	
Kyle Roderick Berryman	Client Director, Auckland	Must reside in North Island Elected October 2015	Replaced Hugh Alexander Smith who did not seek re-election
Ian Howard Russon	Head of Financial Institutions, Wellington	If no Division 1 member nominated, a Division 2 member Elected October 2011, re-elected October 2014, and October 2015	Re-elected
Matthew James Eaden	Partner, Corporate, Christchurch	Must reside in South Island Elected March 2007; re-elected July 2010 and July 2013	

INFORMATION FOR DIVISION 2 MEMBERS

INVESTMENTS

Earnings Summary

For the year ended 31 October 2015, net earning rates (after tax and expenses) for Member Choice Investment Options were:

Investment Option	Net Earning Rates	Investment Option	Net Earning Rates
Cash	2.58%	Cash 17.5	2.95%
Conservative	4.76%	Conservative 17.5	5.20%
Balanced	7.18%	Balanced 17.5	7.69%
Growth	9.49%	Growth 17.5	9.96%

The Association is registered as a Portfolio Investment Entity (PIE), with earnings allocated to Members taxed at Members' nominated prescribed investor rate (PIR). The 17.5 Investment Options denote a PIR rate (and include any Members with a PIR of 10.5%). The default PIR is 28%.

Returns for 10.5% members are available from the scheme secretariat (address at end of Report)).

Statement of Investment Policy & Objectives (SIPO)

The SIPO was not amended during the year. The current version is reproduced on page 21 for the last time in an Annual Report. The version to be provided under the Financial Markets Conduct Act 2013 would be too long for inclusion.

Investment Management

There were no changes to the investment managers during the year.

Switching Investment Options

There was no change to switching opportunities during the year. They continue as monthly.

Scheme Membership

Division 2 (a Cash Accumulation Scheme) membership was 3,010 on 31 October 2015. This represents a small increase on the previous year (2,993).

Investment Statement

The Investment Statement was updated on each of 4 December 2014, 16 March, 4 June, and 1 October 2015.

INVESTMENT PERFORMANCE IN DETAIL

MEMBER CHOICE INVESTMENT OPTION EARNINGS RATES

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

Earnings Rates by Member Choice Investment Option (Investment Option) for the year

The table below shows the allocation to income and growth assets for each Investment Option, and the respective contributions to the gross return. Income assets comprise cash and fixed interest sectors. Growth assets comprise equities and property sectors.

Cash	Contribution to actual return	
	This year	Last year
Gross Investment Return – Income Assets	3.93%	3.62%
MER (Fees and expenses)	(0.36)%	(0.35)%
Tax (at PIR of 28%)	(0.99)%	(0.91)%
Net earnings rate	2.58%	2.36%
Conservative	Contribution to actual return	
	This year	Last year
Income Assets	3.92%	6.45%
Growth Assets	2.63%	2.74%
Total – Gross Invest Return	6.55%	9.19%
MER (Fees and expenses)	(0.58)%	(0.59)%
Tax (at PIR of 28%)	(1.21)%	(1.78)%
Net earnings rate	4.76%	6.82%
Balanced	Contribution to actual return	
	This year	Last year
Income Assets	3.13%	5.45%
Growth Assets	6.06%	6.76%
Total – Gross Invest Return	9.19%	12.21%
MER (Fees and expenses)	(0.75)%	(0.80)%
Tax (at PIR of 28%)	(1.26)%	(1.78)%
Net earnings rate	7.18%	9.63%
Growth	Contribution to actual return	
	This year	Last year
Income Assets	1.40%	2.28%
Growth Assets	10.17%	11.12%
Total – Gross Invest Return	11.57%	13.40%
MER (Fees and expenses)	(0.91)%	(0.94)%
Tax (at PIR of 28%)	(1.17)%	(1.17)%
Net earnings rate	9.49%	11.29%

When comparison is made between the 2015 and 2014 years, growth assets showed less variance. Lower MER's were mainly due to higher funds under management.

Earnings Rates by Month

The first two columns under each Investment Option in the tables that follow show the earning rate allocated to Members for the month and the year to date period.

The third column under each Investment Option gives an aggregate rate for Members who joined during the year. This column should be read by referencing the line that matches the month of joining. For example, joining the Cash Investment Option during April gave a 1.45% earning rate for the April to October period.

	Cash			Conservative			Balanced			Growth		
	Mth	YTD Aggr	Part year Aggr	Mth	YTD Aggr	Part year Aggr	Mth	YTD Aggr	Part year Aggr	Mth	YTD Aggr	Part year Aggr
November 2014	0.22	0.22	2.58	0.98	0.98	4.76	1.58	1.58	7.18	1.96	1.96	9.49
December	0.23	0.45	2.37	0.15	1.13	3.75	0.17	1.75	5.52	0.05	2.01	7.38
January 2015	0.23	0.68	2.13	1.59	2.74	3.59	2.31	4.10	5.34	2.65	4.71	7.32
February	0.21	0.89	1.90	0.69	3.45	1.97	1.29	5.45	2.96	2.05	6.86	4.55
March	0.23	1.13	1.68	0.20	3.66	1.27	0.27	5.73	1.65	0.16	7.03	2.45
April	0.22	1.35	1.45	(0.02)	3.63	1.07	(0.12)	5.60	1.37	0.06	7.10	2.29
May	0.25	1.60	1.23	0.68	4.34	1.19	1.43	7.11	1.50	2.55	9.83	2.23
June	0.23	1.83	0.97	(0.10)	4.23	0.41	(0.38)	6.71	0.07	(0.31)	9.49	(0.32)
July	0.21	2.05	0.74	1.08	5.36	0.51	1.81	8.64	0.45	2.38	12.09	(0.01)
August	0.20	2.25	0.53	(1.18)	4.12	(0.57)	(2.40)	6.03	(1.34)	(3.74)	7.90	(2.33)
September	0.17	2.43	0.33	(0.75)	3.34	0.62	(1.57)	4.37	1.09	(2.56)	5.14	(1.46)
October	0.16	2.58	0.16	1.38	4.76	1.38	2.70	7.18	2.70	4.13	9.49	4.13

	Cash 17.5			Conservative 17.5			Balanced 17.5			Growth 17.5		
	Mth	YTD Aggr	Part year Aggr	Mth	YTD Aggr	Part year Aggr	Mth	YTD Aggr	Part year Aggr	Mth	YTD Aggr	Part year Aggr
November 2014	0.25	0.25	2.95	1.06	1.06	5.20	1.66	1.66	7.69	2.03	2.03	9.96
December	0.26	0.51	2.68	0.19	1.25	4.10	0.20	1.86	5.92	0.09	2.12	7.77
January 2015	0.26	0.77	2.42	1.75	3.02	3.91	2.50	4.41	5.71	2.79	4.97	7.67
February	0.24	1.01	2.15	0.71	3.76	2.12	1.26	5.73	3.13	2.01	7.08	4.75
March	0.26	1.28	1.91	0.25	4.01	1.40	0.33	6.07	1.85	0.23	7.33	2.69
April	0.25	1.53	1.64	(0.03)	3.98	1.15	(0.15)	5.92	1.51	0.06	7.39	2.45
May	0.28	1.81	1.39	0.67	4.68	1.30	1.42	7.42	1.67	2.55	10.13	2.39
June	0.26	2.08	1.10	(0.12)	4.55	0.50	(0.38)	7.01	0.24	(0.29)	9.81	(0.16)
July	0.23	2.31	0.84	1.15	5.76	0.63	1.90	9.04	0.63	2.43	12.48	0.13
August	0.23	2.55	0.61	(1.20)	4.49	(0.52)	(2.39)	6.44	(1.25)	(3.72)	8.29	(2.24)
September	0.20	2.75	0.38	(0.73)	3.73	0.69	(1.54)	4.80	1.17	(2.51)	5.58	1.54
October	0.18	2.95	0.18	1.43	5.20	1.43	2.75	7.69	2.75	4.15	9.96	4.15

Earnings History

The SIPO outlines earning rates expectations for each Investment Option. As the expectations are long term averages, the actual annual results may vary from year to year, especially for Investment Options with higher risk profiles.

Cash

The expectation is that the Cash Investment Option will perform closely in line with the ANZ 90 Day Bank Bill Index (a wholesale cash benchmark), after tax, fund expenses and fees. The 2015 result was above the expected level partly through investment in term deposits at better than index rates.

Conservative

The Conservative Investment Option is expected to outperform the ANZ 90 Day Bank Bill Index by 0.75% after tax, fund expenses and fees over a long term. This Investment Option was introduced on 1 August 2012 so has a shorter history than other Investment Options in the tables.

Balanced

The Balanced Investment Option is expected to outperform the ANZ 90 Day Bank Bill Index by 1.5% after tax, fund expenses and fees over a long term. For the period 2004 to 2015, returns have been mainly solid although the 2008 year was extremely negative due to the effects of the global financial crisis.

Growth

The Growth Investment Option is expected to outperform the ANZ 90 Day Bank Bill Index by 2.5% after tax over a long term. For the period 2004 to 2015, returns have shown a similar pattern to the Balanced option, but benefited in some years from a greater exposure to strong equities returns.

Actual earning rates since the Investment Options were introduced were:

Year	90 day Bill Index Gross less expenses and tax*	Cash Net	Conservative Net	Balanced Net	Growth Net
2004	3.64%	4.41%	-	6.22%	3.79%
2005	4.36%	4.95%	-	8.85%	7.75%
2006	4.88%	4.90%	-	14.45%	20.77%
2007	5.42%	5.03%	-	7.20%	10.20%
2008	5.99%	6.21%	-	(20.42)%	(31.53)%
2009	2.60%	3.13%	-	7.94%	4.36%
2010	1.84%	2.19%	-	8.15%	6.83%
2011	1.84%	2.16%	-	2.04%	0.24%
2012	1.68%	2.25%	2.49%**	8.59%	7.94%
2013	1.66%	2.28%	5.71%	10.75%	17.78%
2014	2.11%	2.36%	6.82%	9.63%	11.29%
2015	2.26%	2.58%	4.76%	7.18%	9.49%
Average (rounded)	3.19%	3.54%	n/a	5.88%	5.74%
Average last 5 years	1.91%	2.33%	n/a	7.64%	9.35%
Average target last 5 years		1.9%	2.65%	3.4%	4.4%

* The Index column contains earnings after expenses and tax for fair comparison with the actual earning rates. The asset allocation mix within each of the Investment Options changed between 2004 and 2007 meaning direct year on year comparisons cannot be made for all years.

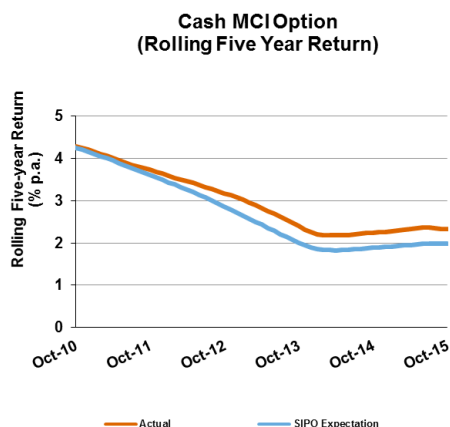
** For three months only – introduced 1 August.

EARNINGS - AVERAGES COMPARED TO SIPO EXPECTATIONS

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

Cash Investment Option

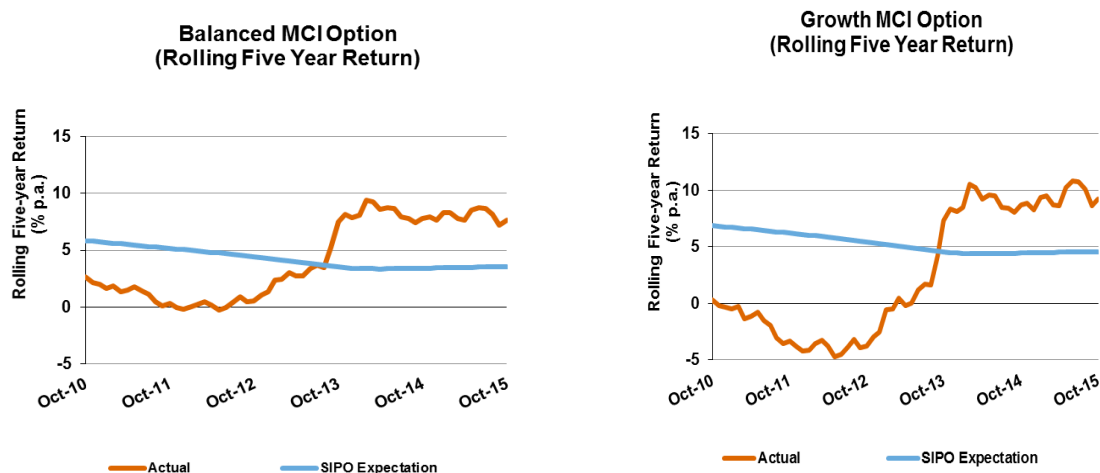
Returns have exceeded index because of inclusion of term deposits and other securities at favourable interest rates. The securities have credit ratings that meet the investment guidelines for the mandate.



Conservative, Balanced & Growth Investment Options

The earning rates for the Conservative, Balanced and Growth Investment Options were above expectations for 2015. Actual returns on a 5 year rolling basis were above expectation level for the Balanced and Growth Investment Options as shown in graphs below.

A graph is not shown for the Conservative Investment Option because it was only introduced on 1 August 2012.



Graphs provided by courtesy of Russell Investments

RETURNS BY ASSET CLASS

The Investment Options have different risk profiles achieved by investing in allocations that may vary to the asset classes shown below. In all cases securities are held by, and transactions processed using a custodian, not the investment manager.

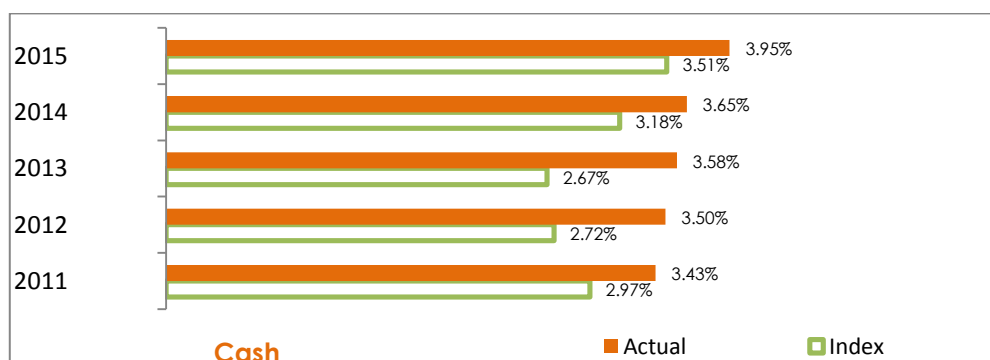
Investment management remained unchanged within the 5 year time period covered in the graphs below, except for international equities which were changed from JANA to Russell during December 2010. TOWER Investment Management was purchased by Fisher but the global fixed interest product used by the Scheme was unchanged.

Cash

	Index	Period	Actual	Index	Relative Performance	Target
Short term deposits and securities managed by ANZ Investments	S&P/NZX New Zealand	Year	3.95%	3.51%	0.44%	0.10%
	90 day Bank Bill	5 years	3.62%	3.01%	0.61%	0.10%

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 3 month deposit of wholesale money. Yield is the expected annualised rate of return from holding a bill until it matures. The target is to outperform the index by the percentage shown in the table.

The 2015 Cash return beat the index mainly through inclusion of term deposits at or near retail rates.

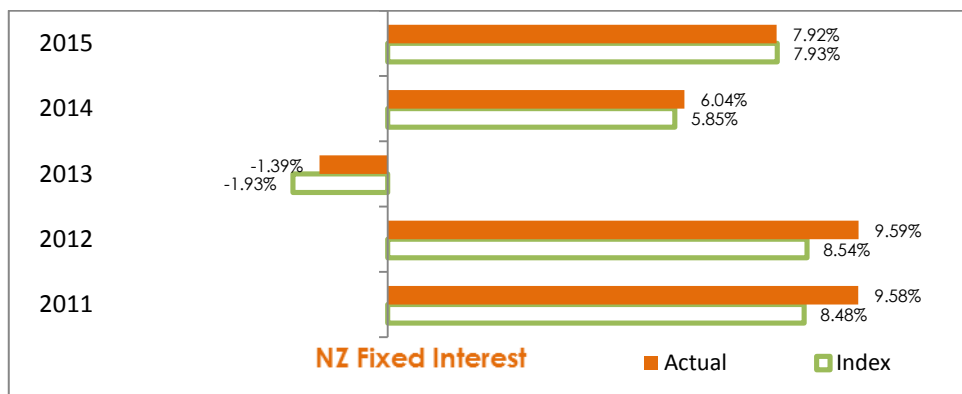


NZ Fixed Interest

	Index	Period	Actual	Index	Relative Performance	Target
<i>Government and corporate bonds and discounted securities managed by ANZ Investments</i>	S&P/NZX New Zealand Government Stock Gross	Year 5 years	7.92% 6.27%	7.93% 5.70%	(0.01)% 0.57%	0.75% 0.75%

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. The target is to outperform the index by the percentage shown in the table.

Holding securities other than New Zealand Government bonds (the index measure) in the portfolio has contributed to a return better than the index over most years.

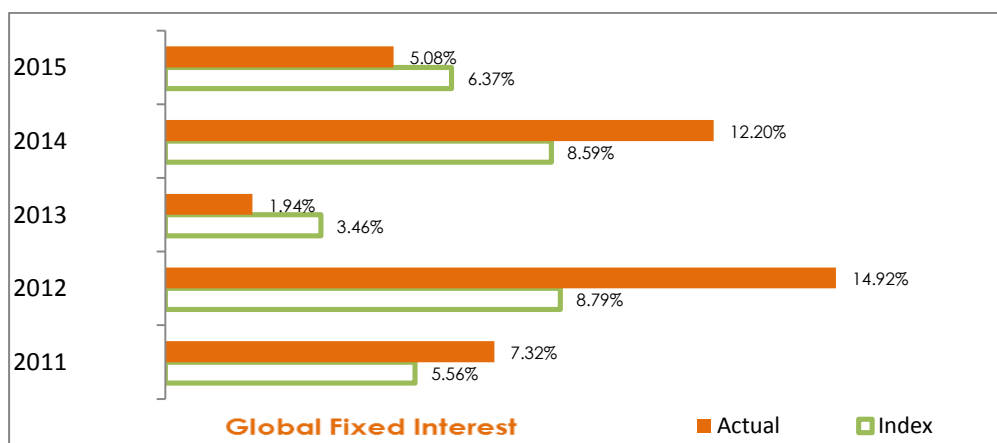


Global Fixed Interest

	Index	Period	Actual	Index	Relative Performance	Target
<i>A PIE version of a Fisher Funds unit trust that invests in global Government and corporate fixed interest securities predominately investment grade managed by PIMCO</i>	Barclays Global Aggregate Bond – hedged 100% into NZD	Year 5 years	5.08% 8.19%	6.37% 6.54%	(1.29)% 1.65%	1% 1%

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% of each). Country eligibility is determined based on market capitalisation and suitability for investment. All issues have a remaining maturity of at least one year. The index is fully hedged back to the New Zealand dollar. The target is to outperform the index by the percentage shown in the table.

Under-performance relative to the index was primarily due to the manager's overweight holding in credit securities, which performed poorly during the period of market volatility in quarter three.



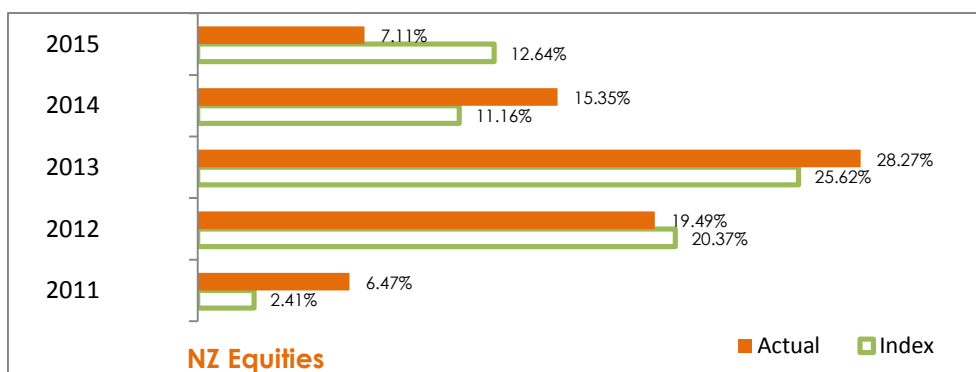
NZ Equities

	Index	Period	Actual	Index	Relative Performance	Target
<i>NZ listed and certain Australian listed shares managed by ANZ Investments</i>	S&P/NZX50 Gross with imputation credits	Year 5 years	7.11% 15.06%	12.64% 14.16%	(5.53)% 0.90%	2% 2%

This index consists of the top 50 companies listed on the New Zealand Exchange (NZX) by free float adjusted market

capitalisation. Free float refers to the shares of a company that are regarded as normally available for market trading. The index accounts for about 98% of the pool of tradable securities listed on the NZX. The index is calculated with gross dividends reinvested. The target is to outperform the index by the percentage shown in the table.

The main reasons for an annual return below index were a negative return for Australian listed shares (about 10-15% of total portfolio value) and the manager's decision to be under-weight in the property, utilities and electricity sectors.



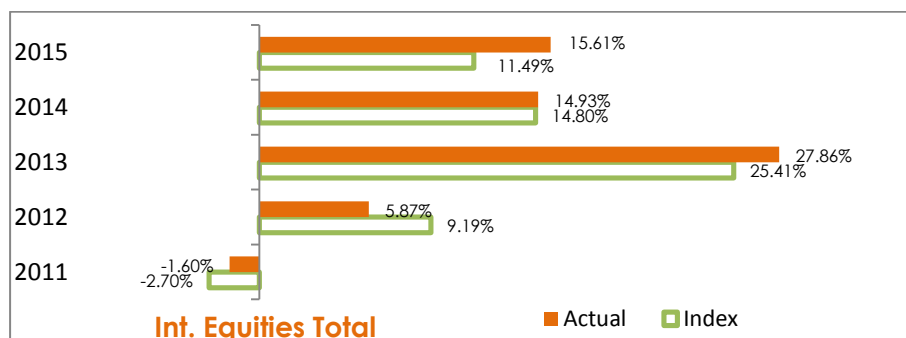
International Equities – Total

	Index	Period	Actual	Index	Relative Performance	Target
<i>Global listed shares managed via Russell global multi-manager funds hedged 45% to NZD in aggregate.</i>	Russell Global Large Cap hedged 45% to NZD	Year	15.61%	11.49%	4.12%	2%
		Jan 2011 - Oct 2015	11.38%	10.82%	0.56%	2%

The managers within the product are: MFS, Numeric, Harris; PIMCO; Wellington; Sanders, Russell

This index is composed of companies representative of 98% of investable equities worldwide, without the limitations of country or region. Each security's weight is proportional to the market capitalisation of its free-floating shares. The target allocation between the hedged and un-hedged funds is 45/55. The currency hedge is managed by Russell. The target is to outperform the index by the percentage shown in the table.

The performance of this Fund continued to improve, but is still below longer term expectations. As was the case for the 2014 year, in 2015, the 55% unhedged / 45% hedged mix was of benefit to members as the New Zealand dollar depreciated.



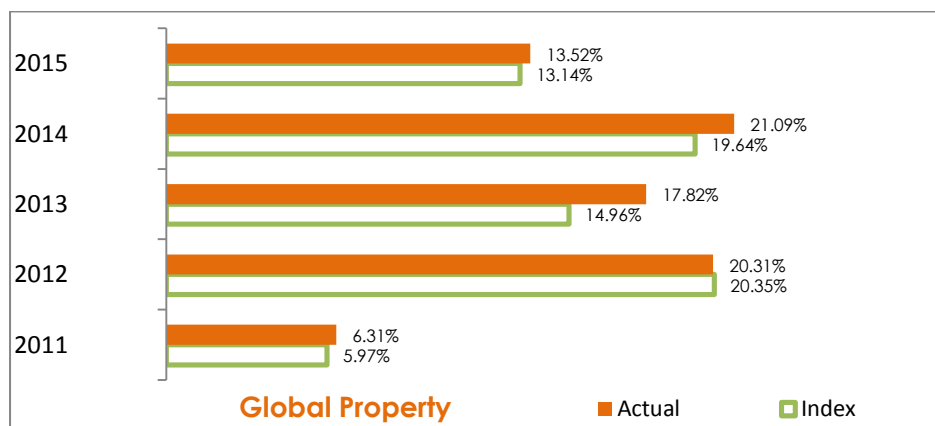
Global Property

	Index	Period	Actual	Index	Relative Performance	Target
<i>Global listed property securities managed by AMP Global Property Securities (PIE version)</i>	FTSE EPRA/NAREIT Global Real Estate – 100% after tax hedged to NZD	Year	13.52%	13.14%	0.38%	2%
		5 years	15.68%	14.67%	1.01%	2%

The index is a free float capitalisation-weighted arithmetic average return index that measures the performance of publicly traded real estate investment trusts and property investment companies. Securities are screened for liquidity and size to ensure suitability for investment. It comprises about 400 constituents. The investment is fully after tax hedged back to the New Zealand dollar. The target is to outperform the index by the percentage shown in the table.

The Fund slightly outperformed the index for the year. This result was primarily attributable to good stock selection, particularly in North America.

The hedge level changed from about 140% (to give 100% after tax) to 100% from 1 May 2015 because the tax treatment changed to fair dividend rate (FDR) .



Financial Markets Conduct Act 2013

The scheme must register under the Financial Markets Conduct Act 2013 (FMCA) by 1 December 2016. The FMCA replaces the Superannuation Schemes Act 1989 and other legislation.

The FMCA will have a significant impact on the scheme. There will be requirement for:

- an equivalent of an Independent Trustee on the Board
- a Product Disclosure Statement (PDS) with specified content, style, and length. It replaces the Investment Statement. Supplementary information not in the PDS will be listed on a register on a website, found at www.business.govt.nz /disclose.
- different content within the Statement of Investment Policy and Objectives (SIPO)
- changes to standards and content of other reporting to members:
 - annual benefit statements become Confirmations and may be electronic
 - the Annual Report must be issued within 4 months of financial year end (was 5 months)
 - Fund updates – information shown currently within the Member Only section of the scheme website must be expanded and some content will become public (transactions and entitlements will remain confidential)
- restriction to 5% on value of scheme assets that may be invested with the sponsor (the Bank)
- amendments to the scheme Rules.

The Scheme will be classified as a Restricted Workplace Savings Scheme. It will not be subject to as much regulation as say a retail KiwiSaver scheme. Nevertheless it will be required to report in more detail than currently to the Financial Markets Authority (FMA) in its role as supervisor of the scheme.

Measuring Risk

When designing an investment strategy to provide for our retirements we need to consider a number of things, some of them unique to our personal circumstances. What lifestyle do we wish to maintain in retirement? Do we want to leave an inheritance? What level of risk are we willing to accept in our portfolio on the path to – and during – retirement?

This last question is not an easy one for many investors since risk can be difficult to define, understand, and measure. One type of risk, termed market risk, relates risk to uncertainty about what investment returns will be. The more uncertain investment returns are (typically characterised by portfolios with high allocations to shares), the higher is the portfolio's market risk. Conversely, the more certain are investment returns (typically characterised by portfolios with high allocations to bonds), the lower is the portfolio's market risk. Quantifying this market risk, however, is challenging.

To make things more difficult, our willingness to tolerate market risk declines as we get older (as we approach retirement). An investor who is 30 years old is less concerned about market risk than an investor who is, say, 80 years old. This is because a 30-year old who experiences a sudden, unexpected decline in portfolio value has many years left to recover these losses. An 80-year old investor, in contrast, does not have the luxury of time.

The FMA is approaching the issue of measuring and communicating market risk by requiring all superannuation funds (including this scheme) to report a risk measure for each investment option or fund. This risk measure, which the FMA calls a Risk Indicator, must be included within the scheme's PDS after 1 December 2016. The Risk Indicator that has been proposed by the FMA will categorise this risk between 1 (low) and 7 (high).



At present, the FMA intends to calibrate risk for member choice investment options based on volatility of historical returns. The returns for the period from July to October 2015 (refer page 6) demonstrated how movement within markets may translate to ups and downs in monthly earning rates within Conservative, Balanced and Growth investment options.

The Board prefers to express risk within the scheme SIPO using the potential returns for each option rather than past returns. This is supported by its investment adviser, Russell Investments. This preference was conveyed to the FMA in a recent submission.

Within the existing SIPO, the Objectives section has been structured by the Board to show for each member choice investment option expected levels of return over longer term periods. The Earnings rate commentary published monthly on the Scheme website highlights that a negative return for a month may be expected from time to time for investment options other than the Cash option. The Annual Report provides comparison between expected and actual levels over 5 year periods. That is expected to continue but under the FMC Act 2013 the SIPO will be expanded to include asset allocations and detail such as re-balancing points.

The FMA intention is also to allow labels for investment options to cover a wide range of asset allocations. As an example the label 'Balanced' may cover allocations of between 35% to 62.9% to growth assets (shares, property and like). The current OPA Balanced option has a 45% allocation. In the Board's view the wide range of asset allocations would inhibit meaningful comparison of past returns and future risks for options among different schemes.

INFORMATION FOR PENSIONERS

SCHEME SURPLUS

As at 31 October 2015 the residual Scheme surplus was valued at approx. \$3.16m (inclusive of current year earnings). This value was in line with an amount agreed between the Board and the Bank as a 'buffer' for the pension liabilities assessed by the Scheme's Actuary. The Actuary used a mortality assumption for calculating the pension liabilities based on NZ Life Table 10/12 with a 2 year set back, and a 1.8% discount rate.

ACTUARIAL DECLARATION

A triennial actuarial examination required by Section 15 of the Superannuation Schemes Act 1989 was carried out as at 31 October 2014. The examination revealed that the fund was in a sound position with an actuarial surplus of approximately \$3.6m. A triennial examination is next due as at 31 October 2017.

The Board receives updates of the Pension liabilities annually, from the Actuary. The last update was dated 10 November 2015 and was for the year ended 31 October 2015. In that update the Actuary valued the Pension liabilities at \$32.8m and stated the ratio of the market value of the assets held to cover the Pension liability; to the value of that liability was 110%. The assets that cover the Pension liabilities are invested in a segregated portfolio comprising mainly long dated New Zealand Government Stock.

The contributions paid to the Scheme are in accordance with the recommendation contained in the most recent report of the Actuary and the Scheme Rules.

An actuarial examination is a full formal review of the financial position of the fund, conducted by the Scheme's Actuary. The review determines whether the Scheme is sufficiently funded to pay pensioners current and future benefits and provides an opinion on the likely need for funding for the Bank.

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.

INFORMATION FOR MEMBERS AND PENSIONERS

MEMBERSHIP SUMMARY

Membership changes during the 2014/2015 Scheme year

	Division 2	Exit Value \$m
Opening - 1 November 2014	2993	
<i>Plus:</i> New Members	475	
<i>Less:</i> Resignations	231	6.384
Redundancies	10	0.571
In-service withdrawals	194	6.427
Normal retirements	22	4.063
Deaths	1	0.094
Partial withdrawals		3.081
Closing - 31 October 2015	3010	20.620

Commentary

Division 2 Membership had increased by 17 at year end (2014 - up 37). As at 31 October 2015 the analysis of Member Choice Investment Options by Membership numbers were:

Investment Option	2015	2014
Balanced	61.3%	62.5%
Cash	10.8%	12%
Conservative	8.4%	7.5%
Growth	19.5%	18%

The split by benefit entitlement values was about 68% to Balanced, 9% to Cash, 11% to Conservative, and 12% to Growth respectively (2014, 66%, 10%, 10.5% and 13.5%).

Pensioner changes during the 2014/2015 Scheme year

	Pensioners	Widows/ Widowers	Children	Total
Opening - 1 November 2014	55	65	1	121
<i>Plus:</i> New		1		1
<i>Less:</i> Deceased	3	8		11
Closing as at 31 October 2015	52	58	1	111

RULE AMENDMENTS

There were no amendments to the Rules during the year.

PROSPECTUS

The Securities Act (Employer Superannuation Schemes) Exemption Notice 2004 applies to the Association and as a result it is not required to register a Prospectus.

ADVISERS TO THE BOARD OF MANAGEMENT

While carrying out its regular duties throughout the year the Board called upon a number of expert advisers:

Actuary

Ian Midgley, Melville Jessup Weaver, P O Box 11330, Wellington

Auditor

Deloitte, P O Box 1990, Wellington

Solicitor

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

Russell Investments, P O Box 105-191, Auckland

Fisher Funds Management Limited, P O Box 33 549, Takapuna, Auckland

AMP Capital Investors Limited, P O Box 3764, Wellington

ANZ Investments, P O Box 7149, Auckland

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

BOARD OF MANAGEMENT COMMITTEES

The role of the committees is to assist the Board to achieve its governance responsibilities and investment objectives through in-depth analysis and regular review of issues impacting the Scheme. Each committee operates to a charter.

The main issues addressed during the year were:

Audit and Risk

- Completion of an anti-money laundering audit programme
- Negotiation of the annual audit programme
- Review of a rewrite of the Rules in preparation for registration under the Financial Markets Conduct Act 2013 during 2016.

Investment

- Monitoring of investment performance (quarterly) and strategy with advice from Russell Investments;
- Review of the investment adviser (reappointed);
- Triennial review of the Global Property sector investment;
- Review of the Scheme currency hedging and
- Consideration of a draft SIPO to a format required under the Financial Markets Conduct Act 2013.

LEGAL PROCEEDINGS / ARBITRATION

There were no legal proceedings or arbitration as at 31 October 2015.

DECLARATION BY THE BOARD OF MANAGEMENT

The Members of the Board of Management:

- State that all contributions required to be made to the Scheme, in accordance with the Rules of the Association, have been made;
- Certify that all benefits required to be paid from the Scheme, in accordance with the Rules of the Association, have been paid;
- Certify that the market value of the assets of the Scheme at 31 October 2015 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 2015;
- Notify that at no time during the year to 31 October 2015 were more than 10% of the market value of the assets of the Association invested directly or indirectly with Bank of New Zealand or any company or entity associated with Bank of New Zealand. Year-end investments with BNZ were:
 - \$5.6m was invested in BNZ term deposits / PIE term deposits with maturity dates extending to 19 February 2016 and
 - \$2.5m was invested in BNZ discount paper with maturity dates extending to 21 March 2016
- Confirm the abridged financial statements within this Annual Report were authorised for issue on 1 December 2015;
- Are of the opinion, after due inquiry, that since 31 October 2015 there has been no material or adverse change to either or both of:
 - the value of the Scheme's assets relative to its liabilities (including contingent liabilities), or
 - the ability of the Scheme to pay its debts as they become due in the normal course of business;
- State that Bank of New Zealand, as employer sponsor, was required under the terms of each offer of an interest in the Scheme made after 31 March 2011, to incur costs (by way of contributions, expenses payments or both) for the financial year ended 31 October 2015. Those costs, which took the form of employer contribution payments totalled \$8.5m (rounded); and
- Confirm that as at 31 October 2015, all eligible Board Members except Jacqueline Farman were Members of Division 2 of the Scheme. Paul Bevin was not eligible to be a member.



Chris Reid



Ian Russon

For and on behalf of the Members of the Board of Management

ABRIDGED FINANCIAL STATEMENTS & NOTES

The Financial Statements included within this Annual Report are in 'abridged form' and are in compliance with FRS-43 Summary Financial Statements.

They are an extract from the Bank of New Zealand Officers' Provident Association's full statutory format financial statements, signed on 1 December 2015, with an unqualified and unmodified audit opinion, and should be read in conjunction with Notes 1 and 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 or view them at www.bnzopa.co.nz

FINANCIAL PERFORMANCE

Key results shown in the abridged financial statements that follow include:

- All investment sectors contributed positively, at varying levels:
- Total operating expenses were in line with last year's level with exception of non-audit fees paid to Deloitte;
- Income tax expense was lower than the previous year due mainly to lower taxable income from the Global Fixed Interest investment sector:
- Contributions received were at about last year's levels whilst Benefits paid to Division 2 Members were above by about \$4.4m due to higher resignation and retirement payments; and
- The Scheme surplus, shown under Member Liabilities decreased in value during the year, as shown by:

Opening value	\$3.55m
Plus / (less)	
Pensioner adjustments	(1.00)
Vesting fall back from exits / adjustments	<u>0.39</u>
Sub-total	\$2.94m
Undistributed earnings 2015	<u>0.22</u>
Closing value	\$3.16m

The Pensioner adjustment mainly resulted from a change by the Scheme's Actuary from a 2.5% to a 1.8% discount rate for valuation purposes.

There was rebalancing of investment assets during the year as required by investment value movements and to fund income tax payments.

ABRIDGED FINANCIAL STATEMENTS

Bank of New Zealand Officers' Provident Association Abridged Statement of Changes in Net Assets For the year ended 31 October 2015

	2015 \$(000's)	2014 \$(000's)
INVESTMENT ACTIVITIES		
Investment revenues / (Losses)		
New Zealand Fixed Interest and Cash revenue	2,178	2,104
Global Fixed Interest revenue	2	0
New Zealand Equities dividend and interest	962	834
Non Division 2 assets – Fixed interest	1,684	1,875
International Equities distribution income	281	3,549
Global Property rebate income	50	51
Changes in net market values		
Unrealised Gains / (Losses)	13,763	14,337
Realised Gains / (Losses)	2,047	701
Total investment revenues	20,967	23,451
Miscellaneous Income – use of money interest	0	23
Total revenues	20,967	23,474
Less Investment management fees	1,068	987
Net investment activities	19,899	22,487
Operating expenses		
Audit fees	28	31
Other fees paid to Auditors	60	0
Actuarial fees	9	11
Depreciation	0	1
Financial Markets Authority and Other Compliance	36	36
General expenses	40	47
Interest expense	0	0
Other professional fees	168	139
Staff	233	249
Board remuneration	20	20
Non-deductible GST	49	39
Use of money interest – IRD	0	0
Total operating expenses	643	573
Net income/(deficit) before tax and Membership activities	19,256	21,914
Income tax expense	3,066	3,684
Net income/(deficit) after tax and before Membership activities	16,190	18,230
MEMBERSHIP ACTIVITIES		
Members' contributions	10,387	10,009
Employer contributions	8,473	8,460
Less Benefits paid	24,092	19,705
Net Membership activities (decrease)	(5,232)	(1,236)
Net (decrease) in assets	10,958	16,994
Net assets available to pay benefits at beginning of year	243,411	226,417
Net assets available to pay benefits at end of year	254,369	243,411

Bank of New Zealand Officers' Provident Association
Abridged Statement of Net Assets
as at 31 October 2015

	2015	2014
	\$(000's)	\$(000's)
Bank accounts	51	50
Accounts receivable	517	440
Fixed Assets	1	1
Deferred tax asset	17	18
Current tax	0	0
	586	509
Investments		
Cash mandate	30,288	33,782
New Zealand Fixed Interest	20,913	18,982
Non Division 2 assets – Fixed Interest	35,104	36,266
Equities – New Zealand and Australia	20,998	21,496
Global Fixed Interest (Fisher product)	74,679	67,480
International Equities – Russell un-hedged	33,457	31,715
International Equities – Russell hedged	29,182	25,842
Global Property Securities (AMP product)	10,399	9,036
	255,020	244,599
Total assets	255,606	245,108
Deduct liabilities		
Accounts payable	724	349
Current tax	513	1,348
Total liabilities	1,237	1,697
Net assets available to pay benefits	254,369	243,411
Represented by member liabilities		
Division 2	218,446	206,549
Pension liability	32,768	33,314
Undistributed earnings – current year	217	330
Scheme surplus	2,938	3,218
	254,369	243,411

Abridged Statement of Cash Flows
for the year ended 31 October 2015

Net cash flows used in operating activities	(5,698)	(32)
Net cash flows from investing activities	5,699	21
Net increase in cash held	1	(11)
Add opening cash brought forward	50	61
Closing cash carried forward	51	50

The full statutory financial statements for the year ended 31 October 2015 comply with International Financial Reporting Standards, New Zealand equivalents to International Financial Reporting Standards and other applicable financial reporting standards, as appropriate for profit-oriented entities. An explicit and unreserved statement of compliance is contained in Note 2 of the full statutory financial statements.

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; and
- 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 presentation currency is New Zealand dollars, rounded to the nearest thousand.

The abridged financial statements have been extracted from the Association's audited full statutory format financial statements, which were authorised for issue by the Board on 1 December 2015, 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 include all the disclosures provided in the full financial statements and cannot be expected to 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, or view them at www.bnzopa.co.nz.

NOTE 1 – 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 \$241.3 million, compared to assets of \$243.4 million, per the triennial actuarial examination as at 31 October 2014. The difference (\$2.1 million) between these two amounts reduced to the extent the Bank continued to meet its Division 1 subsidy from the surplus and will also reduce to the extent that Members continue to accrue additional service.

The equivalent total vested accrued liability at 31 October 2015 was \$252.37 million, compared to assets of \$254.37 million. The surplus value on a vested accrued liability basis was about \$3.16 million (net of current year earnings allocated), with non-vested benefits being about an additional \$2.0 million.

NOTE 2 – 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. There were no material events subsequent to balance date.

NOTE 3 – Compliance

The abridged financial statements comply with accounting standard FRS-43: Summary Financial Statements.

INDEPENDENT AUDITOR'S REPORT ON THE ABRIDGED FINANCIAL STATEMENTS



REPORT OF THE INDEPENDENT AUDITOR ON THE ABRIDGED FINANCIAL STATEMENTS TO THE MEMBERS OF THE BANK OF NEW ZEALAND OFFICERS' PROVIDENT ASSOCIATION

The accompanying abridged financial statements of the Bank of New Zealand Officers' Provident Association (the 'Association') on pages 17 to 19, which comprise the abridged statement of net assets as at 31 October 2015, and the abridged statement of changes in net assets and abridged statement of cash flows for the year then ended, and related notes, are derived from the audited financial statements of the Association for the year ended 31 October 2015. We expressed an unqualified or unmodified audit opinion on those financial statements in our report dated 1 December 2015. Those financial statements, and the abridged financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The abridged financial statements do not contain all the disclosures required for full financial statements under New Zealand Equivalents to International Financial Reporting Standards, International Financial Reporting Standards and generally accepted accounting practice in New Zealand. Reading the abridged financial statements, therefore, is not a substitute for reading the audited financial statements of the Association.

This report is made solely to the Association's Members, as a body, for the purpose of expressing an opinion on the abridged financial statements for the year ended 31 October 2015. Our audit has been undertaken so that we might state to the Association's Members those matters we are required to state to them in an auditor's report on abridged financial statements and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Board of Management's Responsibility for the Abridged 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 Responsibility

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

Other than in our capacity as auditor, the provision of Anti-Money Laundering assurance, a process controls assessment and an administration options report we have no relationship with or interests in the Association. These services have not impaired our independence as auditor of the Association.

Opinion

The abridged financial statements are correctly extracted from the audited financial statements of the Association for the year ended 31 October 2015 and in our opinion are consistent, in all material respects, with those financial statements.

A stylized, handwritten-style signature of the Deloitte firm, written in dark ink.

Chartered Accountants

8 December 2015

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. These areas are incorporated in separate investment guidelines. This is the final time it will appear in the Annual Report. Under the Financial Markets Conduct Act 2013 the document will expand to be over 10 pages and be too big for inclusion here. It will be accessible as a separate document on the scheme website. The current statement is reproduced below.

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 is akin to a cash accumulation Scheme. The OPA, established over 125 years ago, operates under the Bank of New Zealand Officers' Provident Association Act, 1971 (the Act) and is governed by the OPA Rules.

The primary purpose of the Scheme is to receive, manage, and administer contributions from Members and from the Bank of New Zealand (the Bank), and to pay benefits, in accordance with the Rules.

Division 2 of the Scheme 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 depending on the Member Choice Investment Option selected by the member.

Members of the Board of Management (Board) are either elected by the Scheme Members or appointed by the Bank in accordance with the Rules. The management of the investment assets of the Scheme, administered by the Board, is prescribed by the Rules and the Act.

This 'Statement of Investment Policy and Objectives' (SIPO) for the Scheme is reviewed by the Board as needed, but at least annually, to ensure that its contents satisfies the requirements of the OPA's Rules and Act. Changes to the Investment Objectives for a Member Choice Investment Option require the prior consent of the Bank.

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 that the Board will:

'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 that:

'...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 Board 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 on-going management of the Scheme's investment portfolio;
- Appointment of investment managers to undertake the investment of the OPA's assets. The appointments are to be arranged in such a manner so that the investment managers are mandated to fulfil an investment function as directed by the Board. The appointments are to be 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 Committee;
- The Board is to appoint a Secretary to administer the Scheme on an on-going basis;
- Employing other consultants for external advice and services and to determine the scope of their responsibility towards and/or role in the efficient operation of the Scheme; and,
- Ensuring the BNZOPA meets the requirements of common law and statute must be met.

The Investment Committee of the Board considers and reports to the full Board on the responsibilities outlined above. In determining the Investment Policy and Objectives, the Board recognises the concept of prudential investment in accordance with the Trustee Act. It is advised to, and understood by the appointed investment managers.

INVESTMENT POLICIES

The Investment Policies set by the Board are:

1. Investment risk must be minimised for the expected level of return for the relevant Member Choice Investment Option or the Non Division 2 investment portfolio;
2. An appropriate level of portfolio risk will be determined and accepted by the Board in consultation with its advisers;
3. Investment 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 Investment Objectives for that Member Choice Investment Option or the Non Division 2 investment portfolio;
5. Tax efficiency is regarded as important;
6. Liquidity must be maintained at an appropriate level;
7. Costs incurred in the running of the Scheme will be controlled as effectively as possible;
8. Switching between Member Choice Investment Options at regular intervals should be permitted;
9. The performance of investment 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.

INVESTMENT OBJECTIVES

The Investment Objectives of the four Member Choice Investment Options are detailed below.

Cash & Cash 17.5/10.5

The Investment Objective of this Member Choice Investment 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%), fund expenses and fees.

In any given year this Member Choice Investment Option has a negligible probability of experiencing a negative return, after tax, fund expenses and fees are taken into account.

Conservative & Conservative 17.5/10.5

The Investment Objective of this Member Choice Investment Option is to provide returns over the long term (over 10 years), that are modestly higher than those of traditional cash investments. Returns will be generated primarily from income with some capital growth. There will be variations in returns from year to year, including the prospect of negative returns.

This Member Choice Investment Option will invest across a diversified mix of asset classes including, but not limited to, cash, fixed interest, and equities. The allocations to income assets (cash and fixed interest) will be significantly higher than to growth assets (equities).

The expectation is that the investment return will outperform, over a long term horizon (over 10 years), the ANZ 90 Day Bank Bill Index (a wholesale cash benchmark) by 0.75% p.a., after tax (at 28%), fund expenses and fees are taken into account.

For this Investment Option the probability of experiencing a negative return over a medium term horizon (around five years) is approximately 1 in 40, or 2.5%, after tax, fund expenses and fees are taken into account.

Balanced & Balanced 17.5/10.5

The Investment Objective of this Member Choice Investment Option is to provide returns over the long term (over 10 years), 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 Member Choice Investment 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 expectation is that the investment return will outperform, over a long term horizon (over 10 years), the ANZ 90 Day Bank Bill Index (a wholesale cash benchmark) by 1.5% p.a., after tax (at 28%), fund expenses and fees are taken into account.

For this Investment Option the probability of experiencing a negative return over a medium term horizon (around five years) 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.

Growth & Growth 17.5/10.5

The Investment Objective of this Member Choice Investment Option is to provide returns over the long term (over 10 years), 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 Member Choice Investment 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 expectation is that the investment return will outperform, over a long term horizon (over 10 years), the ANZ 90 Day Bank Bill Index (a wholesale cash benchmark) by 2.5% after tax (at 28%), fund expenses and fees are taken into account.

For this Investment Option the probability of experiencing a negative return over a medium term horizon (around five years) is approximately 1 in 5, or 20%, after tax, fund expenses and fees are taken into account. A negative return may be experienced in consecutive years.

FURTHER INFORMATION

If you would like more information about matters covered in this report or about Scheme Membership in general, you should refer to the Scheme's website www.bnzopa.co.nz or contact:

The Scheme Secretariat

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

E-mail: bnzopa@bnz.co.nz
Telephone: (04) 474 6780
Fax: (04) 474 9048

Members of the Secretariat

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 as registered with the Companies Office
- the OPA's Investment Statement
- recent Annual Reports
- the Rules of the OPA
- latest triennial actuarial examination

With an exception of the actuarial examination, all are available for reading on the Association's website:
www.bnzopa.co.nz

Complaints, Disputes and Communications

A disputes resolution service is available as prescribed 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 in the first instance contact the Chairperson at the address shown below. The Board has appointed Financial Services Complaints Limited (FSCL) as its disputes resolution service provider.

Communication with the Board

Please address correspondence to:
The Chairperson
Bank of New Zealand Officers' Provident Association
P O Box 2392
Wellington

Your feedback is welcome

The Board 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.