

**OPA**

BANK OF NEW ZEALAND OFFICERS' PROVIDENT ASSOCIATION

# Bank of New Zealand Officers' Provident Association

Annual Report

For the year ended 31 October 2016

The Board of Management (Board) of the Bank of New Zealand Officers' Provident Association (the **Association** or the **Scheme**) is pleased to present the 129<sup>th</sup> Annual Report.

The Financial Markets Conduct Act 2013 and regulations prescribes certain content of this Annual Report and a new document called a Fund Update, which will also be published annually. The Fund Update contains some similar information that was previously within the Annual Report, and is published about the same time as the Annual Report.

The Board continues its practice of providing financial statements (in a summary format), and comparative earning rate data. These can be found toward the end of this report.

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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.

## Details of scheme

<b>Prescribed Financial Markets Conduct Act information:</b>	
Name of the scheme	Bank of New Zealand Officers' Provident Association
Type of scheme	Restricted workplace savings scheme
Name of the manager	Board of Management of the Association
Name of the supervisor	Not applicable
Date and status of the latest PDS	Date: 2 September 2016. Status: Open for applications
Date of the latest fund update	As at 31 October 2016 no fund updates had been issued. The Association's latest fund updates for the year ended 31 October 2016 are being made publicly available about the same time as this report.
Scheme's latest financial statements	The Association's latest financial statements and auditor's report were dated 31 October 2016 and were lodged with the Registrar on 9 December 2016.

## Information on contributions and Scheme participants

Information as specified in the Financial Markets Conduct Regulations 2014 (Schedule 4, Clause 78):

For Scheme year 2015/2016	Number		Number	Number	\$m
		Total	Contributing	Not Contribg	Accumulations
Opening		3010	2802	202	218.4
Plus: New members	511				
+/- Transfers to or from other schemes	0				
Total new members		511			
Less: Persons who ceased to be members		(503)			
Closing		3018	2789	229	223.5
Contributions were received as:		Scheme members	\$m		
Member contributions		3236	10.031		
Employer or other sponsor contributions		3236	8.733		
Member Voluntary Additional Contributions		10	0.212		
Total			18.976		
Persons who ceased to be members were paid as:		Scheme members	\$m		
Retirements		15	3.323		
Deaths		2	0.114		
Transfers to other schemes		0	0		
Other reasons of:					
Resignations		253	5.729		
Redundancies		11	1.038		
In-service		222	6.803		
Total - Persons who ceased to be members		503	17.007		

## Commentary

Contributions are shown in the table exclusive of earnings for the 2015/16 Scheme year. The 'Not Contributing' members shown in the table include 'Retention' class members. Retention members are those who have left the Bank of New Zealand (Bank) but have remained members of the Scheme. The Rules preclude Retention members from contributing to the Scheme once they have left the employment of the Bank. There were 107 Retention members at year-end.

Division 2 Membership had increased by 8 at year end (2015 - up 17). As at 31 October 2016 the analysis of Member Choice Investment Options by membership numbers is as follows:

Investment Option	2016		2015	
	By No	By \$	By No	By \$
Balanced	59%	66.5%	61 %	68%
Cash	10%	9%	11%	9%
Conservative	9.5%	11.5%	8.5%	11%
Growth	21.5%	13%	19.5%	12%

### Pensioner changes during the 2015/2016 Scheme Year

	Pensioners	Widows/ Widowers	Children	Total
<b>Opening as at 1 November 2015</b>	52	58	1	111
Plus: New				0
Less: Deceased	1	4		5
<b>Closing as at 31 October 2016</b>	51	54	1	106

## Changes relating to the scheme

Material changes during year to:	
Rules of the Association ( <b>Rules</b> )	<p>The Rules were rewritten to:</p> <ul style="list-style-type: none"> <li>(a) remove the former Division 1 Rules as there are now no Division 1 Members of the Provident Fund;</li> <li>(b) now refer to "Division 2 Members" as "Members";</li> <li>(c) remove rules relating to pensions and pensioners that no longer apply;</li> <li>(d) remove other rules that no longer apply; and</li> <li>(e) comply with the FMC Act.</li> </ul> <p>They were signed under seal on 11 July 2016.</p>
Statement of Investment Policy & Objectives ( <b>SIPO</b> )	The SIPO was rewritten to comply with FMC Act. The latest version is dated 31 August 2016
Member Choice Options	<p>Investment management for the Cash and New Zealand Fixed Interests (NZFI) sectors changed from ANZ Investments to Harbour Asset Management on 1 August 2016. The NZFI move was from a discrete mandate to a Harbour Asset Management product.</p> <p>The Non Division 2 investment management also changed to Harbour Asset Management.</p>
Related party transactions	There were no changes to note.

## Other information for particular types of managed funds

### Withdrawals

During the Scheme year there were withdrawals of:

Withdrawal reason		Number	\$m value
1	Persons who ceased to be members		
	Retirements	15	3.323
	Deaths	2	0.114
	Transfers to other schemes	0	
	Other reasons of: Resignations	253	5.729
	Redundancies	11	1.038
	In-service	222	6.803
	Sub- total	503	17.007
2	Members who made a partial withdrawal per Rules 34.2	71	2.314
	Members who made a retention withdrawal per Rules 37.5	23	1.054
	Total	597	20.375

### Statements

The Members of the Board of Management:

- Certify 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; and
- certify that the market value of the assets of the Scheme at 31 October 2016 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 2016.

## Earnings (Crediting) Rates

The earnings (or crediting) rates applied to members' balances for the 2015/2016 Scheme Year are set out below. The rates for the year are shown in bold red type for each member choice option:

	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 2015	0.17	0.17	1.84	0.46	0.46	3.68	0.71	0.71	3.40	1.12	1.12	2.19
December	0.17	0.34	1.66	(0.57)	(0.11)	3.20	(1.08)	(0.38)	2.67	(1.56)	(0.46)	1.05
January 2016	0.17	0.51	1.49	(0.19)	(0.30)	3.79	(1.29)	(1.66)	3.79	(2.73)	(3.17)	2.65
February	0.16	0.67	1.32	(0.07)	(0.37)	3.99	(0.39)	(2.05)	5.15	(0.95)	(4.09)	5.54
March	0.17	0.84	1.16	1.56	1.18	4.06	2.92	0.81	5.56	4.14	(0.12)	6.55
April	0.13	0.97	0.98	0.47	1.66	2.46	0.64	1.46	2.57	0.83	0.70	2.31
May	0.14	1.12	0.85	0.83	2.50	2.09	1.45	2.93	1.91	2.09	2.81	1.47
June	0.14	1.26	0.71	(0.10)	2.40	1.15	(0.94)	1.96	0.46	(2.43)	0.31	(0.61)
July	0.16	1.42	0.57	1.40	3.83	1.25	2.55	4.56	1.41	3.66	3.98	1.87
August	0.13	1.55	0.41	0.26	4.10	(0.15)	0.17	4.74	(1.11)	0.07	4.06	(1.73)
September	0.13	1.68	0.28	0.08	4.19	(0.41)	(0.07)	4.67	(1.28)	(0.18)	3.87	(1.80)
October	0.15	<b>1.84</b>	0.15	(0.49)	<b>3.68</b>	(0.49)	(1.21)	<b>3.40</b>	(1.21)	(1.62)	<b>2.19</b>	(1.62)

	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 2015	0.20	0.20	2.14	0.49	0.49	4.24	0.74	0.74	4.00	1.14	1.14	2.70
December	0.20	0.40	1.94	(0.59)	(0.10)	3.74	(1.09)	(0.36)	3.24	(1.55)	(0.43)	1.54
January 2016	0.20	0.60	1.73	(0.09)	(0.19)	4.35	(1.19)	(1.54)	4.37	(2.68)	(3.10)	3.14
February	0.18	0.78	1.53	(0.02)	(0.21)	4.44	(0.34)	(1.88)	5.63	(0.91)	(3.98)	5.98
March	0.20	0.98	1.35	1.66	1.44	4.47	3.01	1.07	5.99	4.21	0.06	6.95
April	0.15	1.14	1.15	0.50	1.95	2.76	0.66	1.74	2.89	0.84	0.91	2.63
May	0.16	1.30	0.99	0.87	2.84	2.24	1.51	3.28	2.22	2.14	3.06	1.77
June	0.16	1.46	0.83	0.01	2.85	1.37	(0.83)	2.42	0.70	(2.35)	0.64	(0.36)
July	0.19	1.65	0.67	1.46	4.35	1.36	2.60	5.08	1.54	3.71	4.38	2.04
August	0.15	1.80	0.48	0.30	4.66	(0.10)	0.21	5.30	(1.03)	0.10	4.48	(1.61)
September	0.15	1.96	0.33	0.11	4.78	(0.40)	(0.01)	5.29	(1.24)	(0.11)	4.37	(1.71)
October	0.18	<b>2.14</b>	0.18	(0.51)	<b>4.24</b>	(0.51)	(1.23)	<b>4.00</b>	(1.23)	(1.60)	<b>2.70</b>	(1.60)

The first section of the table is for options at a PIR of 28%; the second section, as designated by suffixes of 17.5, are at a PIR of 17.5%.

The first two columns under each Investment Option in the tables 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 0.98% earning rate for the April to October period.

## Actuarial Declaration

A triennial actuarial examination is required by Section 169 of the Financial Markets Conduct Act 2013. The most recent examination 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 by 31 October 2017.

The Board receives updates of the Pension liabilities annually, from the Actuary. The last update was dated 10 November 2016 and was for the year ended 31 October 2016. In that update the Actuary valued the Pension liabilities at \$31.4m 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.

## Changes to persons involved in the scheme

The Board, as manager, comprises nine members consisting of:

- four representatives appointed by the Bank being:
  - (a) one member who is the Chief Executive of the Bank (or his/her nominee),
  - (b) two members appointed by the Bank as Scheme sponsor,
  - (c) one member appointed by the Chief Executive of the Bank,
- four members elected by Members of the Scheme, and
- one independent member appointed by the Board (known as the Licensed Independent Trustee). The FMC Act requires an independent Board member.

The Board are:

Name	Bank Position	Constitution	2016 Changes
<b>Bank-appointed representatives</b>			
Christopher Harril Reid	Chief General Counsel, Auckland	Appointed by the Board of Directors of the Bank, April 2013. Chairperson since April 2013	
Vacant		Appointee of 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	
<b>Member-elected representatives</b>			
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	
Ian Howard Russon	Head of Public Sector, Wellington	If no Division 1 member nominated, a Division 2 member Elected October 2011, re-elected October 2014, and October 2015	
Leanne Jane Stapylton-Smith	Manager, Treasury Solutions, Christchurch	Must reside in South Island Elected August 2016	Elected by ballot to replace Matt Eaden who did not seek re-election
<b>Licensed Independent Trustee</b>			
Paul Steven Bevin	Independent of Bank, Wellington	From 6 September 2016	Previously a Bank-appointed member from July 2005

The Scheme Secretariat comprises:

Bruce Burrows - Business Manager

Cyril Bray - Administration Officer

There were no changes to the secretariat staffing during the Scheme Year.

### **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*

*Harbour Asset Management, P O Box 3363, Wellington*

Harbour Asset Management replaced ANZ Investments as investment manager for the Cash, New Zealand Fixed Interest and Non Division 2 sectors from 1 August 2016.

The Board called upon a number of expert advisers. DLA Piper were added to the expert advisers used.

### **Actuary**

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

### **Auditor**

Deloitte, P O Box 1990, Wellington

### **Solicitors**

Chapman Tong Law, P O Box 10 614, Wellington

DLA Piper New Zealand, P O Box 2791, Wellington

### **Investment**

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

### **Tax**

KPMG, P O Box 996, Wellington

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

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## **How to find further information**

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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](http://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](mailto:bnzopa@bnz.co.nz)

Telephone: (04) 474 6780

Fax: (04) 474 9048

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

- Fund Update
- Full set of financial statements to statutory format
- Product Disclosure Statement
- Statement of Investment Policy & Objectives
- The Rules of the Association
- 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](http://www.bnzopa.co.nz) or the scheme or offer register for the Association on the Disclose website [www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose).

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## Contact details and complaints

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### 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, your membership, or the offer of the Association 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.

For any queries about the Association or the offer of membership of the Association, please contact the Scheme Secretariat at the address, email, or phone numbers shown below.

### Communication with the Board

Please address correspondence to:

The Chairperson

Bank of New Zealand Officers' Provident Association

P O Box 2392

Wellington

Phone (04) 474 6780 or (04) 474 6779

### For the Scheme Secretariat,

Contact: Bruce Burrows or Cyril Bray by:

Email: [bnzopa@bnz.co.nz](mailto:bnzopa@bnz.co.nz)

Phone (04) 474 6780 or (04) 474 6779

- or address correspondence to:

Bank of New Zealand Officers' Provident Association

P O Box 2392

Wellington

FSCL may be contacted at:

Financial Services Complaints Limited

4<sup>th</sup> Floor

101 Lambton Quay

P O Box 5967

Wellington

Telephone: 0800 347257

The Scheme will not charge a fee to any complainant to investigate or resolve a complaint.

### 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](http://www.bnzopa.co)

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## SUPPLEMENTARY INFORMATION

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The Board considers readers may find the information that follows useful.

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## Summary Financial Statements & Notes

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The Financial Statements included within this Annual Report are in 'summary 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 29 November 2016, 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 summary 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](http://www.bnzopa.co.nz) or visit [www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose).

The full statutory financial statements for the year ended 31 October 2016 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 Financial Markets Conduct Act 2013, Financial Reporting Act 2013, and the Bank of New Zealand Officers' Provident Association Rules.

The presentation currency is New Zealand dollars, rounded to the nearest thousand.

The summary 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.

### NOTE 1 – Vested Benefits

Vested benefits are the rights which are not conditional on continued Membership, under the conditions of the Association. At the 31 October 2014 actuarial valuation the total account balances of Division 2 members amounted to \$241.3 million, of which all but \$2.1 million was vested. All of the actuarial liability relating to pensioners is vested. The equivalent non vested amount at 31 October 2016 was approx. \$2.00 million.

At 31 October 2014, the total vested promised retirement liability was \$241.3 million (including the surplus and undistributed earnings), compared to net assets of \$243.4 million. The equivalent total vested promised retirement liability at 31 October 2016 was \$255.99 million, compared to net assets of \$257.99 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 summary financial statements comply with accounting standard FRS-43: Summary Financial Statements.

# Summary Financial Statements

## Bank of New Zealand Officers' Provident Association Summary Statement of Changes in Net Assets For the year ended 31 October 2016

	2016 \$(000's)	2015 \$(000's)
<b>INVESTMENT ACTIVITIES</b>		
<b>Investment revenues / (Losses)</b>		
New Zealand Fixed Interest and Cash revenue	1,527	2,178
Global Fixed Interest revenue	0	2
New Zealand Equities dividend and interest	953	962
Non Division 2 assets – Fixed interest	1,488	1,684
International Equities distribution income	7,296	281
Global Property rebate income	162	50
Changes in net market values - Unrealised Gains / (Losses)	(1,139)	13,763
- Realised Gains / (Losses)	3,313	2,047
<b>Total investment revenues</b>	<b>13,600</b>	<b>20,967</b>
Miscellaneous Income – use of money interest	8	0
<b>Total revenues</b>	<b>13,608</b>	<b>20,967</b>
Less Investment management fees	1,049	1,068
<b>Net investment activities</b>	<b>12,559</b>	<b>19,899</b>
<b>Operating expenses</b>		
Audit fees	35	28
Other fees paid to Auditors	0	60
Actuarial fees	10	9
Depreciation	1	0
Financial Markets Authority and Other Compliance	43	36
General expenses	56	40
Interest expense	0	0
Other professional fees	185	168
Staff	293	233
Board remuneration	20	20
Non-deductible GST	52	49
Use of money interest – IRD	0	0
<b>Total operating expenses</b>	<b>695</b>	<b>643</b>
<b>Net income/(deficit) before tax and Membership activities</b>	<b>11,864</b>	<b>19,256</b>
<b>Income tax expense</b>	<b>3,426</b>	<b>3,066</b>
<b>Net income/(deficit) after tax and before Membership activities</b>	<b>8,438</b>	<b>16,190</b>
<b>MEMBERSHIP ACTIVITIES</b>		
<b>Members' contributions</b>	<b>10,243</b>	<b>10,387</b>
<b>Employer contributions</b>	<b>8,733</b>	<b>8,473</b>
<b>Less Benefits paid</b>	<b>23,792</b>	<b>24,092</b>
<b>Net Membership activities (decrease)</b>	<b>(4,816)</b>	<b>(5,232)</b>
<b>Net (decrease) in assets</b>	<b>3,622</b>	<b>10,958</b>
<b>Net assets available to pay benefits at beginning of year</b>	<b>254,369</b>	<b>243,411</b>
<b>Net assets available to pay benefits at end of year</b>	<b>257,991</b>	<b>254,369</b>

**Bank of New Zealand Officers' Provident Association**  
**Summary Statement of Net Assets**  
**as at 31 October 2016**

	2016 \$(000's)	2015 \$(000's)
Bank accounts	37	51
Accounts receivable	576	517
Fixed Assets	19	1
Deferred tax asset	17	17
Current tax	0	0
	<b>649</b>	<b>586</b>
<b>Investments</b>		
Cash mandate	29,402	33,782
NZ Fixed Interest (Harbour product from 1 August 2016)	21,747	18,982
Non Division 2 assets – Fixed Interest	33,082	36,266
Equities – New Zealand and Australia	20,978	21,496
Global Fixed Interest (Fisher product)	78,165	67,480
International Equities – Russell un-hedged	35,735	31,715
International Equities – Russell hedged	29,199	25,842
Global Property Securities (AMP product)	10,002	9,036
	<b>258,310</b>	<b>244,599</b>
<b>Total assets</b>	<b>258,959</b>	<b>255,606</b>
<b>Deduct liabilities</b>		
Accounts payable	299	724
Current tax	669	513
<b>Total liabilities</b>	<b>968</b>	<b>1,697</b>
<b>Net assets available to pay benefits</b>	<b>257,991</b>	<b>243,411</b>
<b>Represented by member liabilities</b>		
Division 2	223,514	218,446
Pension liability	31,383	32,768
Undistributed earnings – current year	135	217
Scheme surplus	2,959	2,938
	<b>257,991</b>	<b>254,369</b>

**Summary Statement of Cash Flows**  
**for the year ended 31 October 2016**

Net cash flows used in operating activities	(5,676)	(5,698)
Net cash flows from investing activities	5,662	5,699
Net increase in cash held	(14)	1
Add opening cash brought forward	51	50
Closing cash carried forward	37	51

# Independent auditor's report on the Summary financial statements



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

The accompanying summary financial statements of Bank of New Zealand Officers' Provident Association ('the Association') on pages 10 to 12, which comprise the summary statement of net assets as at 31 October 2016, 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 the Association for the year ended 31 October 2016. We expressed an unmodified audit opinion on those financial statements in our report dated 29 November 2016.

The summary financial statements do not contain all the disclosures required for full financial statements under New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards. Reading the summary 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 summary financial statements for the year ended 31 October 2016. 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 summary 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 Managements' Responsibility for the Summary Financial Statements**

The Board of Management of the Association are responsible on behalf of the Association 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 summary 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 we have no relationship with or interests in the Association.

### **Opinion**

In our opinion, the summary financial statements derived from the audited financial statements of Bank of New Zealand Officers' Provident Association for the year ended 31 October 2016 are consistent, in all material respects, with those financial statements, in accordance with FRS-43: *Summary Financial Statements*.

A stylized, handwritten-style signature of "Deloitte Limited" in black ink.

**Chartered Accountants**  
29 November 2016  
Wellington, New Zealand

# Investments

## EARNINGS (CREDITING RATES) - AVERAGES COMPARED TO SIPO EXPECTATIONS

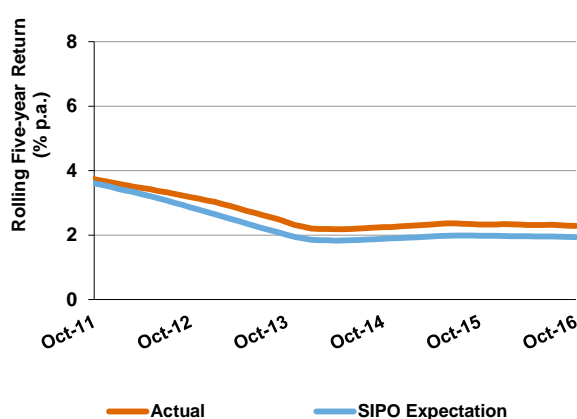
The Board encourages Members to review the Scheme's long-term investment performance relative to the SIPO. The relevant section of the SIPO remained unchanged after revision of the document for compliance with the FMC Act.

### Cash and Conservative Investment Options

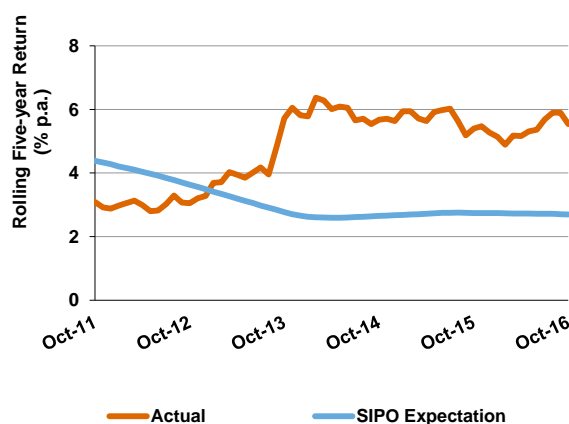
Returns have exceeded index because of inclusion of term deposits and other securities at favourable interest rates.

Because the Conservative Investment Option was only introduced on 1 August 2012, the periods prior to that have been simulated using actual asset class return data, weighted to the option's strategic asset allocation.

**Cash MCI Option  
(Rolling Five Year Return)**



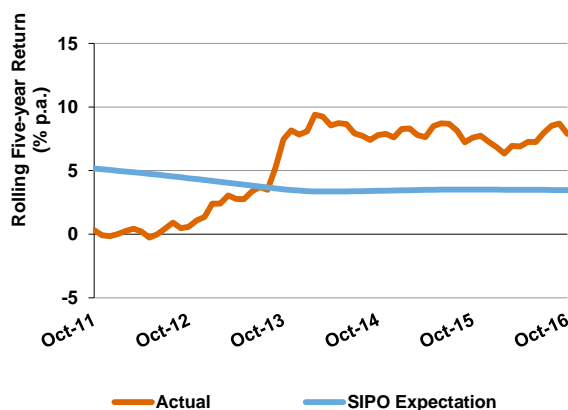
**Conservative MCI Option\*  
(Rolling Five Year Return)**



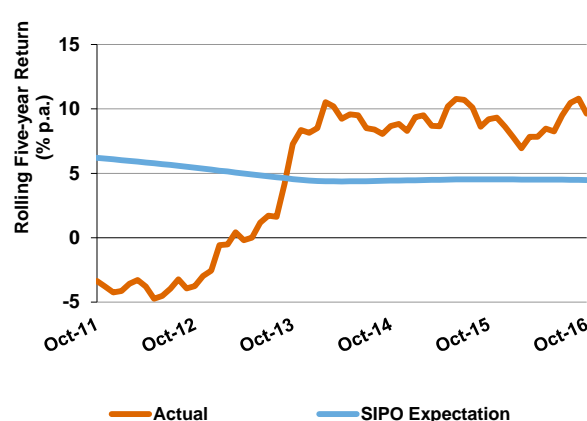
### Balanced & Growth Investment Options

Whilst the earning rates for Balanced and Growth Investment Options for 2016 dropped compared to 2015, the actual returns on a 5 year rolling basis were above expectation level, as shown in graphs below.

**Balanced MCI Option  
(Rolling Five Year Return)**



**Growth MCI Option  
(Rolling Five Year Return)**



Graphs provided by courtesy of Russell Investments

## MEMBER CHOICE INVESTMENT OPTION EARNINGS (CREDITING) RATES ANALYSIS

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. It gives insight to why the graphs on the previous page showed downturn for the 2016 year.

<b>Contribution to actual return</b>		
<b>Cash</b>	This year	Last year
Gross Investment Return – Income Assets	2.92%	3.93%
MER (Fees and expenses)	(0.37)%	(0.36)%
Tax (at PIR of 28%)	(0.71)%	(0.99)%
Net earnings rate	1.84%	2.58%
<b>Contribution to actual return</b>		
<b>Conservative</b>	This year	Last year
Income Assets	4.85%	3.92%
Growth Assets	0.87%	2.63%
Total – Gross Invest Return	5.72%	6.55%
MER (Fees and expenses)	(0.59)%	(0.58)%
Tax (at PIR of 28%)	(1.45)%	(1.21)%
Net earnings rate	3.68%	4.76%
<b>Contribution to actual return</b>		
<b>Balanced</b>	This year	Last year
Income Assets	4.15%	3.13%
Growth Assets	1.63%	6.06%
Total – Gross Invest Return	5.78%	9.19%
MER (Fees and expenses)	(0.77)%	(0.75)%
Tax (at PIR of 28%)	(1.61)%	(1.26)%
Net earnings rate	3.40%	7.18%
<b>Contribution to actual return</b>		
<b>Growth</b>	This year	Last year
Income Assets	1.74%	1.40%
Growth Assets	2.71%	10.17%
Total – Gross Invest Return	4.45%	11.57%
MER (Fees and expenses)	(0.91)%	(0.91)%
Tax (at PIR of 28%)	(1.35)%	(1.17)%
Net earnings rate	2.19%	9.49%

It must be noted past performance should not be read as an indicator of future returns.

In the table above, 'This year' refers to the year period ended 31 October 2016, and 'Last year' refers to the year period ended 31 October 2015.