

**OPA**

BANK OF NEW ZEALAND OFFICERS' PROVIDENT ASSOCIATION

# Bank of New Zealand Officers' Provident Association

Annual Report

For the year ended 31 October 2018

The Board of Management (Board) of the Bank of New Zealand Officers' Provident Association (the **Association** or the **Scheme**) is pleased to present the 131<sup>st</sup> Annual Report.

The Financial Markets Conduct Act 2013 and regulations prescribes certain content of this Report and a document called a Fund Update, which are published annually. The Fund Update contains 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

Prescribed Financial Markets Conduct Act information:	
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
Date and status of the latest PDS	Date: 8 March 2018. Status: Open for applications
Date of the latest fund update	The Association's latest fund updates for the year ended 31 October 2018 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 2018 and signed on 5 December 2018.

## Information on contributions and Scheme participants

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

For Scheme year 2017/2018	Number		Number	Number	\$m
		Total	Contributing	Not Contribg	Accumulations
Opening		2836	2560	276	243.6
Plus: New members	390				
+/- Transfers to or from other schemes	0				
Total new members		390			
Less: Persons who ceased to be members		(565)			
Closing		2661	2324	337	231.8
Contributions were received as:					
	Scheme members		\$m		
Member contributions	2991		9.124		
Employer or other sponsor contributions	2991		8.028		
Member Voluntary Additional Contributions	14		0.910		
Total			18.062		
Persons who ceased to be members were paid as:					
	Scheme members		\$m		
Retirements	7		2.013		
Deaths	0		0		
Transfers to other schemes	0		0		
Other reasons of:					
Resignations	236		10.024		
Redundancies	144		8.076		
In-service	178		7.225		
Total - Persons who ceased to be members	565		27.338		

### Commentary

Contributions are shown in the table exclusive of earnings for the 2017/18 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 217 Retention members at year-end. Division 2 Membership had decreased by 175 at year end (2017 – down 182). As at 31 October 2018 the analysis of Member Choice Investment Options by membership numbers is as follows:

Investment Option	2018		2017	
	By No	By \$	By No	By \$
Balanced	54%	64%	58%	67%
Cash	7.5%	6%	8.5%	6.5%
Conservative	9.5%	14%	9.5%	12%
Growth	29%	16%	24%	14.5%

#### Pensioner changes during the 2017/2018 Scheme Year

	Pensioners	Widows/ Widowers	Children	Total
<b>Opening as at 1 November 2017</b>	48	49	1	98
Plus: New		3		3
Less: Deceased/ pension ceased (child)	4	8	1	13
<b>Closing as at 31 October 2018</b>	44	44	0	88

#### Changes relating to the scheme

Material changes during year to:	
Rules of the Association ( <b>Rules</b> )	There were no changes to the Rules during the year.
Statement of Investment Policy & Objectives ( <b>SIPO</b> )	The SIPO remained unchanged during the year. The latest version is dated 2 August 2017.
Member Choice Options	There were no changes during the year.
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	7	2.013
Deaths	0	0
Transfers to other schemes	0	
Other reasons of: Resignations	236	10.024
Redundancies	144	8.076
In-service	178	7.225
Sub- total	565	27.338
2 Members who made a partial withdrawal per Rule 34.2	54	2.268
Members who made a retention withdrawal per Rule 37.5	34	2.057
Total	653	31.663

## 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 2018 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 2018.

## Earnings (Crediting) Rates

The earnings (or crediting) rates applied to members' balances for the 2017/2018 Scheme Year are set out below. The rates for the year are shown in bold red type for each member choice option:

Net	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 2017	0.13	0.13	1.56	0.39	0.39	1.16	0.77	0.77	0.66	1.03	1.03	0.76
December	0.12	0.25	1.43	0.08	0.47	0.75	(0.03)	0.74	(0.10)	0.02	1.05	(0.26)
January 2018	0.12	0.37	1.31	0.38	0.85	0.67	1.01	1.76	(0.07)	1.51	2.58	(0.28)
February	0.12	0.49	1.19	(0.45)	0.40	0.29	(1.18)	0.56	(1.07)	(1.55)	0.99	(1.77)
March	0.13	0.62	1.06	(0.09)	0.31	0.75	(0.71)	(0.16)	0.11	(1.23)	(0.26)	(0.22)
April	0.12	0.74	0.93	0.36	0.67	0.84	0.98	0.82	0.82	1.52	1.26	1.02
May	0.15	0.89	0.81	0.37	1.04	0.48	0.46	1.28	(0.16)	0.56	1.83	(0.49)
June	0.13	1.02	0.66	0.47	1.52	0.10	0.90	2.20	(0.61)	1.35	3.20	(1.04)
July	0.13	1.16	0.53	0.47	1.99	(0.36)	0.98	3.20	(1.50)	1.30	4.54	(2.36)
August	0.14	1.30	0.40	0.69	2.70	(0.83)	1.34	4.58	(2.45)	1.92	6.55	(3.62)
September	0.13	1.43	0.26	(0.06)	2.65	(1.51)	(0.15)	4.42	(3.74)	(0.16)	6.38	(5.43)
October	0.13	<b>1.56</b>	0.13	(1.46)	<b>1.16</b>	(1.46)	(3.60)	<b>0.66</b>	(3.60)	(5.28)	<b>0.76</b>	(5.28)

	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 2017	0.15	0.15	1.76	0.41	0.41	1.32	0.79	0.79	0.94	1.05	1.05	1.08
December	0.14	0.29	1.61	0.09	0.50	0.91	(0.01)	0.78	0.15	0.04	1.09	0.03
January 2018	0.14	0.43	1.47	0.37	0.87	0.81	1.01	1.80	0.16	1.51	2.62	(0.01)
February	0.13	0.56	1.33	(0.45)	0.42	0.44	(1.16)	0.62	(0.84)	(1.52)	1.06	(1.50)
March	0.15	0.71	1.20	(0.04)	0.38	0.90	(0.65)	(0.04)	0.32	(1.17)	(0.13)	0.02
April	0.14	0.85	1.04	0.36	0.74	0.94	0.98	0.94	0.98	1.52	1.39	1.21
May	0.15	1.00	0.90	0.41	1.15	0.58	0.51	1.46	0.00	0.60	2.00	(0.31)
June	0.15	1.16	0.75	0.49	1.65	0.16	0.92	2.39	(0.51)	1.36	3.39	(0.90)
July	0.14	1.30	0.60	0.49	2.15	(0.32)	1.00	3.41	(1.42)	1.32	4.75	(2.23)
August	0.16	1.46	0.46	0.71	2.87	(0.81)	1.35	4.81	(2.40)	1.93	6.77	(3.51)
September	0.15	1.60	0.30	(0.06)	2.81	(1.51)	(0.13)	4.67	(3.70)	(0.13)	6.64	(5.33)
October	0.15	<b>1.76</b>	0.15	(1.45)	<b>1.32</b>	(1.45)	(3.57)	<b>0.94</b>	(3.57)	(5.21)	<b>1.08</b>	(5.21)

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 Balanced Investment Option during April gave a 0.82% 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 2017. The examination revealed that the fund was in a sound position with an actuarial surplus of approximately \$3.6m.

The Board receives updates of the Pension liabilities annually, from the Actuary. The last update was dated 9 November 2018 and was for the year ended 31 October 2018. In that update the Actuary valued the Pension liabilities at \$25.07m and stated the ratio of the market value of the assets held to cover the Pension liability, to the value of that liability, was 120%. 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,
  - (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	2018 Changes
<b>Bank-appointed representatives</b>			
Jonathan Eriksen	External to Bank, Auckland	Appointed by the Board of Directors of the Bank, November 2018. Chairperson since Nov. 2018	Replaced Chris Reid, resigned
Vacant		Appointee of the Chief Executive of the Bank	
Graeme David Liddell	General Manager Markets, Wellington	From December 2013, nominee of the Chief Executive of the Bank	
Vacant		Appointed by the Board of Directors of the Bank	

<b>Name</b>	<b>Bank Position</b>	<b>Constitution</b>	<b>2018 Changes</b>
<b>Member elected representatives</b>			
Matthew Rowland Cullum	General Manager – Office of the CEO, Auckland	Must reside in North Island Elected October 2008; re-elected October 2011, October 2014, February 2018	
Kyle Roderick Berryman	Client Director, Auckland	Must reside in North Island Elected October 2015, re-elected October 2018	
Adam Reinhardt Ward	General Manager, Third Party, Auckland	If no Division 1 member nominated, a Division 2 member Elected April 2017	
Jeffrey Donald Suddens	Sector Partner, Corporate Banking South, Christchurch	Must reside in South Island Elected June 2018	Replaced Leanne Jane Stapylton-Smith, resigned
<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 Investment Management Limited, P O Box 105-191, Auckland

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

Mint Asset Management. P O Box 91649, Auckland

Harbour Asset Management, P O Box 3363, Wellington

The Board called upon a number of expert advisers.

### **Actuary**

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

### **Auditor**

Deloitte Limited, 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 Investment Group 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

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 main communication channels used are email and the web-site [www.bnzopa.co.nz](http://www.bnzopa.co.nz)

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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 5 December 2018, 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 2018 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 2017 actuarial valuation the total account balances of 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 2018 was approx. \$1.8 million.

At 31 October 2017, the total vested promised retirement liability was \$273.3 million (including the surplus of \$3.5 million), compared to net assets of \$275.45 million. The equivalent total vested promised retirement liability at 31 October 2018 was \$260.20 million (including the surplus of \$5 million), compared to net assets of \$261.98 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 2018

	2018 \$(000's)	2017 \$(000's)
<b>INVESTMENT ACTIVITIES</b>		
<b>Investment revenues / (Losses)</b>		
New Zealand Fixed Interest and Cash revenue	1,312	1,536
Global Fixed Interest revenue	0	1
New Zealand Equities dividend and interest	827	860
* Non Division 2 assets – Fixed interest	1,185	1,328
International Equities distribution income	6,414	17,581
Global Property rebate income	0	162
Changes in net market values - Unrealised Gains / (Losses)	(4,991)	2,024
- Realised Gains / (Losses)	2,301	7,072
<b>Total investment revenues</b>	<b>7,048</b>	<b>30,564</b>
Miscellaneous Income – use of money interest	4	8
<b>Total revenues</b>	<b>7,052</b>	<b>30,564</b>
Less Investment management fees	1,131	1,160
<b>Net investment activities</b>	<b>5,921</b>	<b>29,404</b>
<b>Operating expenses</b>		
Audit fees	35	33
Other fees paid to Auditors	27	18
Actuarial fees	26	8
Depreciation	5	7
Financial Markets Authority and Other Compliance	37	37
General expenses	25	36
New scheme expense	11	0
Other professional fees	148	159
Staff	284	271
Board remuneration	32	24
Non-deductible GST	43	45
Use of money interest – IRD	0	4
<b>Total operating expenses</b>	<b>674</b>	<b>642</b>
<b>Net income/(deficit) before tax and Membership activities</b>	<b>5,247</b>	<b>28,762</b>
<b>Income tax expense</b>	<b>1,936</b>	<b>2,089</b>
<b>Net income/(deficit) after tax and before Membership activities</b>	<b>3,311</b>	<b>26,673</b>
<b>MEMBERSHIP ACTIVITIES</b>		
<b>Members' contributions</b>	<b>10,034</b>	<b>10,395</b>
<b>Employer contributions</b>	<b>8,028</b>	<b>8,520</b>
<b>Less Benefits paid</b>	<b>34,854</b>	<b>28,126</b>
<b>Net Membership activities (decrease)</b>	<b>(16,792)</b>	<b>(9,211)</b>
<b>Net increase in assets</b>	<b>(13,481)</b>	<b>17,426</b>
<b>Net assets available to pay benefits at beginning of year</b>	<b>275,453</b>	<b>257,991</b>
<b>Prior year adjustment</b>	<b>2</b>	
<b>Net assets available to pay benefits at end of year</b>	<b>261,974</b>	<b>275,453</b>

**Bank of New Zealand Officers' Provident Association**  
**Summary Statement of Net Assets**  
**as at 31 October 2018**

	<b>2018</b>	2017
	<b>\$(000's)</b>	\$(000's)
Bank accounts	<b>49</b>	57
Accounts receivable	<b>736</b>	800
Fixed Assets	<b>10</b>	15
Deferred tax asset	<b>0</b>	17
	<b>795</b>	889
<b>Investments</b>		
Cash mandate	<b>26,581</b>	30,790
NZ Fixed Interest (Harbour product from 1 August 2016)	<b>20,918</b>	20,063
* Non Division 2 assets – Fixed Interest	<b>28,494</b>	30,339
Equities – New Zealand and Australia	<b>22,623</b>	24,269
Global Fixed Interest (Fisher product)	<b>76,842</b>	77,204
International Equities – Russell un-hedged	<b>43,346</b>	47,403
International Equities – Russell hedged	<b>43,125</b>	45,396
Global Property Securities (AMP product)	<b>0</b>	0
	<b>261,929</b>	275,464
<b>Total assets</b>	<b>262,724</b>	276,353
<b>Deduct liabilities</b>		
Accounts payable	<b>369</b>	438
Current tax	<b>381</b>	462
<b>Total liabilities</b>	<b>750</b>	900
<b>Net assets available to pay benefits</b>	<b>261,974</b>	275,453
<b>Represented by member liabilities</b>		
Members	<b>231,842</b>	243,618
Pension liability	<b>25,074</b>	28,343
Undistributed earnings – current year	<b>15</b>	46
Scheme surplus	<b>5,043</b>	3,446
	<b>261,974</b>	275,453

**Summary Statement of Cash Flows**  
**for the year ended 31 October 2018**

Net cash flows used in operating activities	<b>(17,239)</b>	(9,458)
Net cash flows from investing activities	<b>17,231</b>	9,478
Net increase in cash held	<b>(8)</b>	20
Add opening cash brought forward	<b>57</b>	37
Closing cash carried forward	<b>49</b>	57
* 'Non Division 2' refers to a combination of Pension and residual surplus liabilities		

## Independent Auditor's Report on the Summary Financial Statements

### To the Members of Bank of New Zealand Officers' Provident Association

#### Opinion

The summary financial statements of Bank of New Zealand Officers' Provident Association (the 'Association'), which comprise the Summary Statement of Net Assets as at 31

October 2018, 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 2018.

In our opinion, the accompanying summary financial statements, on pages 9 to 12, are consistent, in all material respects, with the audited financial statements, in accordance with FRS-43: *Summary Financial Statements* issued by the New Zealand Accounting Standards Board.

#### Summary financial statements

The summary financial statements do not contain all the disclosures required by New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards. Reading the summary financial statements and the

auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report.

#### The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 5 December 2018.

#### Board of Managements' responsibilities for the summary financial statements

The Board of Management are responsible on behalf of the Association for the preparation of the summary financial statements in accordance with FRS-43: *Summary Financial Statements*.

#### Auditor's responsibilities

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (New Zealand) 810 (Revised): *Engagements to Report on Summary Financial Statements* ('ISA (NZ) 810').

Our firm carries out other assignments for the Association, being the performance of the Register of Members audit and to issue a Report on Controls for the Custody of Assets of the Association. These services have not impaired our independence as auditor of the Association. The firm has no other relationship with, or interest in, the Association.

#### Restriction on use

This report is made solely to the Association's Board of Management, as a body. 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 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 our audit report, for this report, or for the opinions we have formed.



**Silvio Bruinsma, Partner  
for Deloitte Limited**  
Wellington, New Zealand  
5 December 2018

This audit report relates to the summary financial statements of Bank of New Zealand Officers' Provident Association (the 'Association') for the year ended 31 October 2018 included on the Association's website. The Board of Management are responsible for the maintenance and integrity of the Association's website. We have not been engaged to report on the integrity of the Association's website. We accept no responsibility for any changes that may have occurred to the summary financial statements since they were initially presented on the website. The audit report refers only to the summary financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these summary financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the summary financial statements and related audit report dated 5 December 2018 to confirm the information included in the summary financial statements presented on this website.

# Investments

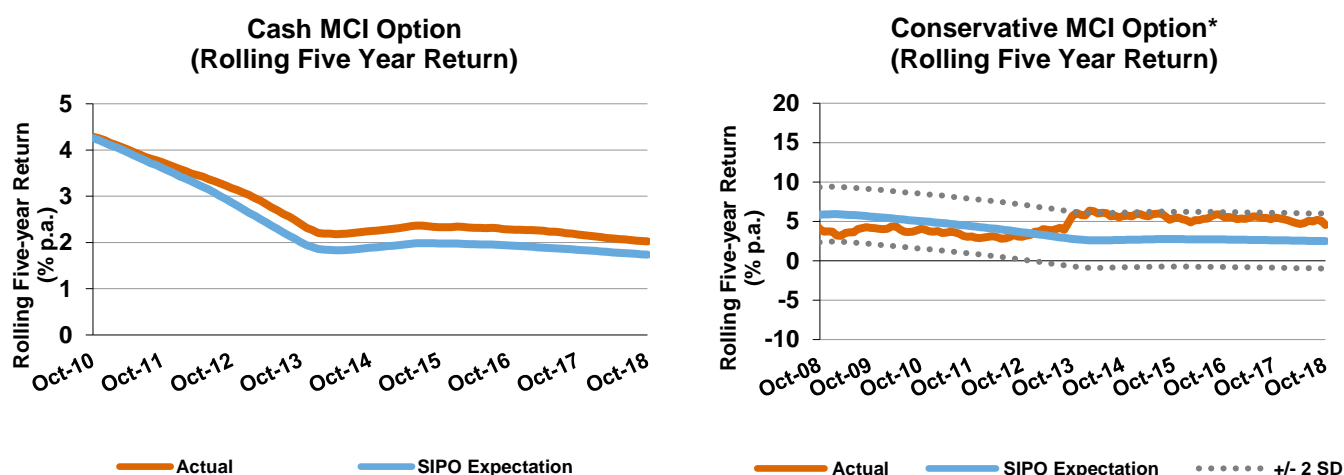
## EARNINGS (CREDITING RATES) - AVERAGES COMPARED TO SIPO EXPECTATIONS

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

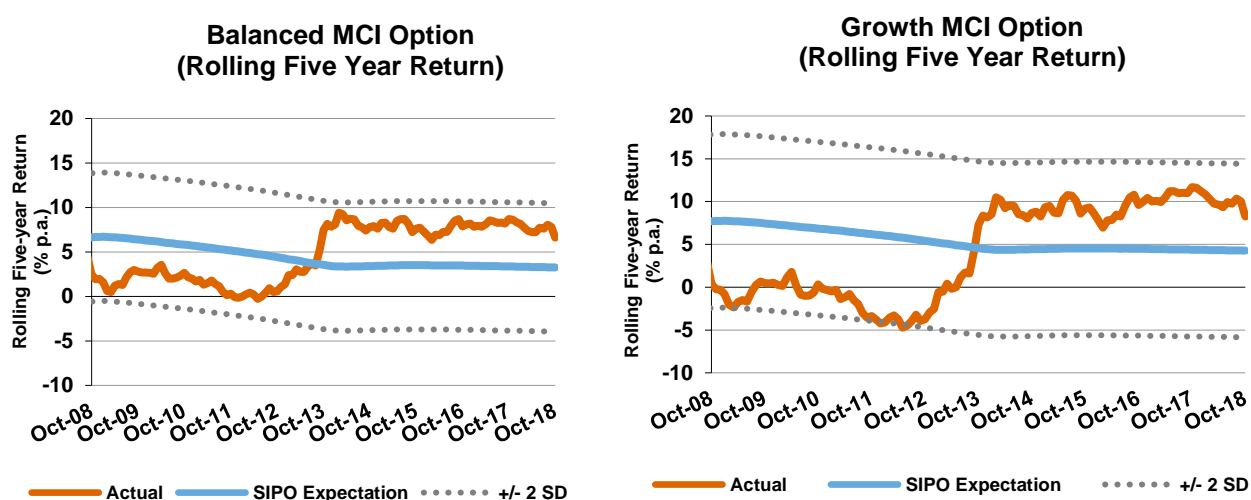
For the Cash option, returns exceeded SIPO expectations (refer the scheme SIPO document for more detail) because of inclusion of term deposits and other securities at favourable interest rates. For the Conservative option, returns were below expectations from weak returns from growth assets during 2018. The Cash option was Cash Plus from 2003 to 2005; hence rolling 5 year periods begin for Cash from 2010. The Conservative option was introduced on 1 August 2012, with back-filled data for earlier years at assessed rates.

' $\pm 2$  SD' under the graph means plus or minus two standard deviations. A standard deviation is a mathematical measure of the amount by which a series of numbers (such as investment returns) vary around their mean. A high standard deviation indicates high volatility while a low standard deviation indicates stable returns.



### Balanced & Growth Investment Options

The 2018 earning rates for Balanced and Growth Investment Options decreased significantly over 2017, due to weak returns from growth sector assets especially during October 2018. Actual returns on a 5-year rolling basis remained above SIPO expectation levels, as shown in rolling 5-year graphs that follow.



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 for part of 2017 property, sectors. It gives insight to the 2018 year component within the graphs above.

Contribution to actual return		
Cash	This year	Last year
Gross Investment Return – Income Assets	2.51%	2.71%
MER (Fees and expenses)	(0.36)%	(0.36)%
Tax (at PIR of 28%)	(0.59)%	(0.65)%
Net earnings rate	1.56%	1.70%
Contribution to actual return		
Conservative	This year	Last year
Income Assets	1.35%	4.95%
Growth Assets	0.88%	3.24%
Total – Gross Invest Return	2.23%	8.19%
MER (Fees and expenses)	(0.55)%	(0.57)%
Tax (at PIR of 28%)	(0.56)%	(0.91)%
Net earnings rate	1.16%	6.71%
Contribution to actual return		
Balanced	This year	Last year
Income Assets	0.61%	4.22%
Growth Assets	1.50%	10.21%
Total – Gross Invest Return	2.11%	14.43%
MER (Fees and expenses)	(0.72)%	(0.76)%
Tax (at PIR of 28%)	(0.73)%	(1.02)%
Net earnings rate	0.66%	12.65%
Contribution to actual return		
Growth	This year	Last year
Income Assets	0.31%	2.49%
Growth Assets	2.18%	17.97%
Total – Gross Invest Return	2.50%	20.46%
MER (Fees and expenses)	(0.82)%	(0.89)%
Tax (at PIR of 28%)	(0.92)%	(1.05)%
Net earnings rate	0.76%	18.52%

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 2018, and 'Last year' refers to the year period ended 31 October 2017.