

RioTinto

Rio Tinto New Zealand Retirement Fund

# Annual report

for the year ended 30 June 2009



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SUPER

An aerial photograph of a coastal industrial facility, possibly a refinery or chemical plant, situated on a peninsula. The facility features several large, parallel storage tanks and various industrial buildings. A long, narrow pier extends from the land into the deep blue sea. The surrounding landscape is a mix of brownish terrain and green vegetation. The sky is clear and blue.

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## Message from the Chair



When I wrote to you last year with the news that a downturn in global investment markets had severely impacted the returns of super funds, it was difficult to imagine that the downturn would be so deep and sustained and become what we now know as the Global Financial Crisis (GFC).

The direct impact of the GFC is that for the second year in a row, super funds have experienced negative returns from investments in shares and property. This includes the Fund's Growth, Balanced and Conservative investment options.

The Fund's Growth option earned -18.58% for the year ended 30 June 2009, and the Balanced and Conservative investment options -7.85% and 1.03%

In September 2008 the Fund began providing greater flexibility by allowing you to change investment options, contribution rates and insurance levels on a monthly rather than quarterly basis. The way that investment earnings are allocated to your accounts has also changed. The earning rate for each investment option is now calculated on a monthly rather than quarterly basis. In addition, to give you a more current picture of how your super is tracking, an interim monthly earning rate (updated weekly), based on the earnings of four similar investment options outside the Fund, is used. See pages 12 and 13 for further details.

From 1 April 2009, further changes to KiwiSaver (and to locked-in savings through complying superannuation

**“The Trustees are hopeful that the recent upward trend in investment markets will continue into 2010 and that the Fund's investment options will see a sustained return to positive territory”**

respectively. Thankfully there has been a rally in share markets since March and from March to the end of June 2009 the Growth option improved by 9.73% and the Balanced and Conservative investment options by 6.87% and 4.64% respectively. While this improvement was very welcome and has continued in recent months, it's too early to reliably conclude that investment markets have stabilised. More information about the performance of the Fund's investment options and the investment market conditions over the year ended 30 June 2009 appears in this report.

While the GFC and its impact on investment returns dominated the superannuation landscape during the year, there were a number of other important events that occurred within the Fund and across the superannuation industry.

funds such as the Fund) came into effect. These included reducing the minimum locked-in member contribution from 4% to 2% of a member's gross salary and fixing the compulsory locked-in employer contribution at 2% of a member's gross salary. Previously the compulsory locked-in employer contribution rate was to rise by 1% a year to 4% from 1 April 2011 onwards. Refer to page 8 to see in more detail the impact of the KiwiSaver changes on the Fund.

The Trustees are hopeful that the recent upward trend in investment markets will continue into 2010 and that the Fund's investment options will see a sustained return to positive territory. That said, most of us have an investment horizon that extends beyond our current employment and into retirement from the workforce, and so we must be mindful that periods of negative investment performance are an expected part of a successful long-term strategy.

**Xiaoling Liu**  
Chair of Trustees

# Investment overview

## What happened in the investment markets over the last twelve months

Despite delivering some strong gains in the last three months of the 2008–09 financial year, share markets were unable to recover from the severe impact of the Global Financial Crisis (GFC) over the previous three quarters and so returns for the year were negative for most 'growth' asset classes. Indeed, following the failure of some major global financial institutions and extreme chaos in the credit sector during the first quarter of the financial year, several countries or regions, including Europe, Japan and the United States (US), officially announced that they had entered recession.

In response to the GFC, central banks and governments around the world introduced aggressive monetary easing policies, stimulus packages and rescue plans. During the last quarter of the financial year, economic data showed some signs of improvement, consumer confidence appeared to be returning and share markets began to recover.

In contrast to share markets, fixed interest and cash markets posted positive returns as many investors used these asset classes for a 'flight to safety'. Returns from both New Zealand and international fixed interest benefited from aggressive interest rate cuts by central banks and investors' reduced appetite for risk. However, returns from government bonds weakened later in the Fund year due to concerns over the quantity of government bonds being issued to fund the massive government spending policies implemented to counteract the GFC.

## More about investments and earnings

### Your investment options

The Fund recognises that different members have different financial needs and that a single investment strategy doesn't suit everyone. That's why the Fund offers members a choice of four investment options.

The rate of return from each investment option will vary according to the asset class, or combination of asset classes, in which it invests. Historically, growth assets (e.g. shares and property) have provided the best returns over the long term (more than 10 years). However, growth assets tend to have the most variation in returns from year to year. On the other hand, defensive assets, such as fixed interest and cash, have historically provided lower returns over the long term but less variation in returns from year to year. However, you should be aware that past performance should not be relied upon as an indicator of future performance.

If you have not nominated an investment option in the Fund, your accounts are invested in the 'default' investment option which is the Balanced investment option.

See pages 4 and 5 for more information about the Fund's investment options.

### Each investment option has guidelines for investing

For each investment option, the Trustees have an investment policy that sets investment objectives and a strategy to determine how and where the money in that option will be invested. Having objectives and a strategy helps the Trustees to maximise investment returns for the Fund whilst maintaining an acceptable level of risk. However, the objectives are not a forecast or guarantee of future performance. The investment policy also covers other related matters such as appointment of investment managers and guidelines for investments in derivatives.

The Trustees, through their Investment Committee, regularly monitor each investment option's performance against objectives and strategy and make changes where necessary. A copy of the Fund's Statement of Investment Policy and Objectives is available on request.

There are different levels of investment risk associated with each of the Fund's investment options. Please refer to the Fund's Investment Statement for more information. You can obtain a copy of the Fund's Investment Statement from the library page of [www.realsuper.superfacts.co.nz](http://www.realsuper.superfacts.co.nz) or by calling the Fund Helpline.

## Some investment terms explained

**Asset class** – a broad category of investments such as Australian and New Zealand shares, property or fixed interest securities.

**Asset mix** – the proportion of the various asset classes within an investment portfolio. This is often referred to as the 'asset allocation'.

**Benchmark** – a market index or combination of indices used as a yardstick to assess the performance of an investment portfolio. For example, the benchmark for the Fund's Trans-Tasman shares investments is the NZX 50 Index.

**Consumers Price Index (CPI)** – is used to measure the rate of increase in inflation. In New Zealand, it is based on the change in prices of a selection of household goods and services.

**Defensive assets** – assets held to generate an income rather than for long-term growth. Examples are fixed interest and cash.

**Gross earnings** – do not allow for fees, costs and tax. In this Annual Report, gross earnings are used to compare the performance of the different asset classes in which the Fund invests with the rates of return of the relevant benchmarks and to compare the performance of the Fund's Balanced option with other similar schemes.

**Growth assets** – assets expected to grow in value over time (although their value may rise and fall in the short term), such as shares and property.

**Net earnings** – gross earnings less applicable fees, costs and tax. Net earnings are used in this Annual Report to show the performance of the different investment options. They reflect the rate of investment earnings credited to members' accounts for the year to 30 June 2009.

# How your investment options performed



Kees Van Geuns, Lean Adviser and Joe Wynne, Superintendent Plant Services

## Growth option

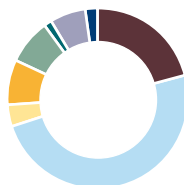
The Growth option continues to target an allocation of 90% in growth assets (shares, property and international listed infrastructure) and 10% in defensive assets (fixed interest and cash). With a high percentage of its assets in growth assets, it can be expected that the Growth option will typically provide the Fund's strongest longer-term returns but also show the greatest variations. The Trustees' objective for the Growth option is to achieve an average annual return (after tax) of 4% above Consumers Price Index increases over rolling three-year periods.

### Performance for the year ended 30 June 2009

The continuing impact of the global sharemarket downturn is reflected in the Growth option's net return of -18.58% for the year, compared with a return of -14.45% for the previous year. The Consumers Price Index increased by 1.9% over the year.

Over the past three years the Growth option has earned an average net return of -7.78% p.a.

### Benchmark (target) asset mix



Trans-Tasman shares	21.0%
International shares	49.0%
Trans-Tasman listed property	4.0%
International listed property	8.0%
International listed infrastructure	8.0%
NZ fixed interest	1.5%
International fixed interest	6.5%
Cash	2.0%

## Balanced option

The Balanced option continues to target an allocation of 60% in growth assets (shares, property and international listed infrastructure) and 40% in defensive assets (fixed interest and cash). The Trustees' objective for the Balanced option is to achieve an average annual return (after tax) of 3% above Consumers Price Index increases over rolling three-year periods.

### Performance for the year ended 30 June 2009

The Balanced option produced a net return of -7.85% for the year, compared with a return of -9.83% for the previous year, as sound returns from cash and fixed interest investments provided some relief from the sharemarket downturn. The Consumers Price Index increased by 1.9% over the year.

Over the past three years the Balanced option has earned an average net return of -2.94% p.a.

### Benchmark (target) asset mix



Trans-Tasman shares	15.0%
International shares	35.0%
Trans-Tasman listed property	4.0%
International listed property	3.0%
International listed infrastructure	3.0%
NZ fixed interest	5.5%
International fixed interest	26.0%
Cash	8.5%



## Conservative option

As the Conservative option requires a target 68% allocation to defensive assets, it can be expected to provide more stable returns than the Growth and Balanced options. The Trustees' objective for the Conservative option is to achieve an average annual return (after tax) of 2% above Consumers Price Index increases over rolling three-year periods.

While returns from the Conservative option are expected to be stable, over the longer term it is unlikely to achieve high returns.

### Performance for the year ended 30 June 2009

The year's significant improvement in returns from defensive assets went some way towards compensating for the impact of the sharemarket downturn. As a result the Conservative option returned a net 1.03% for the year, compared with a return of -3.75% for the previous year. The Consumers Price Index increased by 1.9% over the year.

Over the past three years the Conservative option has earned an average net return of 1.29% p.a.

### Benchmark (target) asset mix



Trans-Tasman shares	8.0%
International shares	19.0%
Trans-Tasman listed property	2.0%
International listed property	1.5%
International listed infrastructure	1.5%
NZ fixed interest	7.0%
International fixed interest	33.0%
Cash	28.0%

## Cash option

As all of its assets are invested in cash, it is very unlikely that the Cash option will provide a negative return. Similarly, it is very unlikely that over the longer term the Cash option will provide high returns.

The Cash option is expected to produce returns near 90-day bank bill rates.

### Performance for the year ended 30 June 2009

The fact that New Zealand's relatively high interest rates early in the Fund year were followed later in the year by weaker interest rates is reflected in the return of 4.49% for the Cash option against a return of 5.41% for the previous year. The 90-day bank bill rate for the year was 5.1%.

The average annual net return for the Cash option has been 4.93% p.a. over the past three years.

### Benchmark (target) asset mix



Cash	100%
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### Factors behind the returns

The continued investment market turmoil during the 2008-09 financial year had a significant adverse effect on the returns of most super funds, including the Rio Tinto New Zealand Retirement Fund. This is because most super funds invest a large portion of their assets in shares and listed property, which produced negative returns during the year.

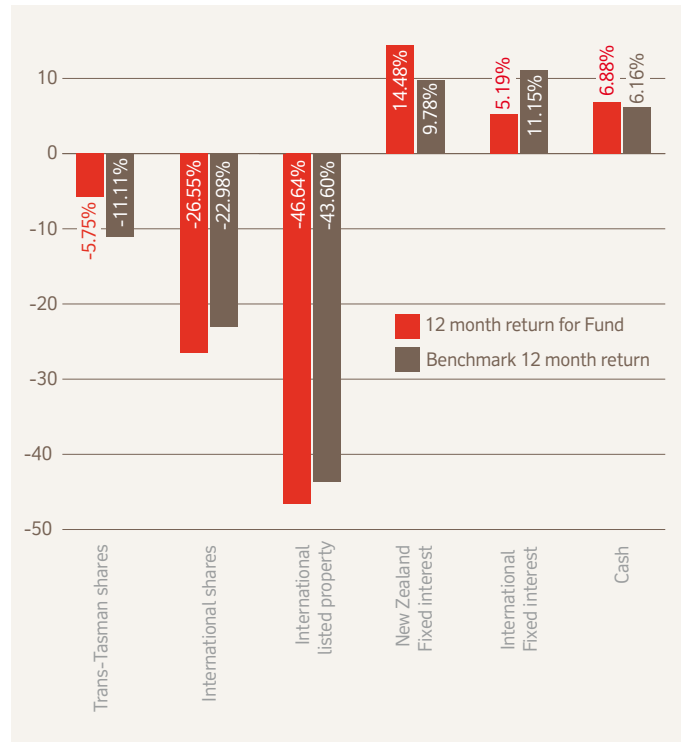
Returns from international shares were very weak for the first three quarters of the Fund year, falling as major share markets dropped sharply in response to negative economic news. Mid-March finally brought some improvement when better than expected profit results and a surprise upturn in US housing activity saw returns rise.

Fixed interest investments also provided mixed returns. Falling interest rates and a move away from share markets saw both international and New Zealand fixed interest investments provide strong returns. Returns weakened, however, in the second half of the Fund year as longer-term interest rates rose and investors became concerned that governments would need to increase the quantity of bonds issued to finance the massive costs of economic stimulatory measures (reducing the value of existing bonds). Despite this, the Fund's overall returns from its investments in both New Zealand and overseas fixed interest were sound.

Cash provided sound returns overall, starting the Fund year well but weakening later as short-term interest rates hit record lows.

### How the Fund performed

The following graph compares the gross returns (i.e. investment returns before deduction of tax and investment expenses) for the Fund's investments in each asset class with the returns of the selected market indices.



The graph above shows that returns from Trans-Tasman shares and New Zealand fixed interest and cash were well above their benchmarks. Returns from international asset classes were below their benchmarks. This reflects the unprecedented volatility that was caused by the global financial crisis.



## The Fund's benchmarks

Benchmark	Market index used	What the index means
Trans-Tasman Shares	NZX 50 Index <sup>1</sup>	Measures the performance of the 50 largest NZ companies by market capitalisation, or about 65% of the listed market
International Shares	Morgan Stanley Capital International (MSCI) World Accumulation Index (50% hedged into NZD)	Consists of the market indices of 23 developed countries (including Australia and New Zealand) and is a measure of international sharemarket performance
Trans-Tasman Listed Property	NZX Sectoral Property Index	The New Zealand Property Index is a capitalisation index designed to measure the performance of the property sector of The New Zealand Exchange Limited
International Listed Property	UBS Warburg Global Aggregate Index (100% Hedged)	A customised index incorporating companies that derive value from owning and operating income producing real estate as well as companies that derive most of their value from the development and sale of commercial property
International Listed Infrastructure	NZ Consumers Price Index + 5% (100% Hedged) <sup>2</sup>	Measures the price change of goods and services purchased by private New Zealand households plus 5% of the expected return above CPI
New Zealand Fixed Interest	NZX NZ Government Stock Gross Index	Measures the performance of the New Zealand Government Bond market
International Fixed Interest	Barclays Capital Global Aggregate Index (100% hedged into NZD)	Consists of over 9,500 international fixed interest securities and provides a representation of the movements in value and interest rates of this asset sector
Cash	NZX 90 day Bank Bill Index	Summarises the returns on NZ bank bills over the past 90 days

<sup>1</sup> From 1 April 2005. Prior to that date 100% NZSE 40 Index.

<sup>2</sup> On an after-tax basis. Pre-tax returns will be monitored against gross hedging ratios.

## The Fund's returns compared with those of its peers

Another measure of the Fund's performance is a comparison against other similar schemes.

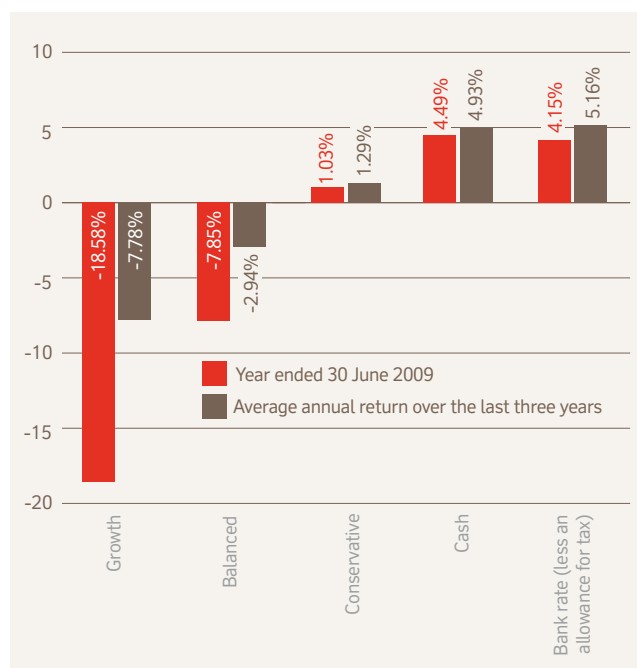
The following table presents the performance of the Fund's Balanced option relative to the performance of other superannuation funds, as reflected in a survey conducted by the Fund's investment consultants.

		Year ended 30/06/09 %	Last 3 years % p.a.	Last 5 years % p.a.
<b>Before tax and fees</b>	<b>Return</b>	-10.1	-1.4	4.8
	<b>Median</b>	-7.7	-0.7	5.7
<b>Inflation (CPI)</b>		1.9	2.6	2.9

The table shows that the Balanced option's return has been significantly below the median over all three periods measured. This is because the Balanced option has a higher percentage of growth assets than the survey median. As explained elsewhere in this report, growth assets have been more severely impacted by the global financial crisis than other asset classes.

## Fund vs bank returns

The following chart compares the crediting rate (net of tax and investment expenses) for each investment option for the last year, and the average annual crediting rate for each investment option over the last three years, with the return that could in each case have been earned from investing in deposits with a trading bank (after allowance for tax).



## Fund and superannuation news

### KiwiSaver

Further changes to KiwiSaver took effect on 1 April 2009. From that date:

- the standard minimum rate of member contributions to KiwiSaver or a locked-in account reduced from 4% to 2% of gross salary;
- the compulsory employer contribution rate rose to 2% of gross salary but was capped at that rate;
- the tax exempt amount of employer contributions to a KiwiSaver scheme or a locked-in account in a complying superannuation fund was capped at 2% of gross salary; and
- the annual (KiwiSaver only) \$40 member fee subsidy and the employer tax credit of up to \$1,043 a year were discontinued.

### Impact of the changes on the Fund

As indicated above, the changes to KiwiSaver affected contributions to locked-in accounts in complying superannuation funds such as your Fund. The impact of the changes was communicated to affected members at the time but, briefly, from 1 April 2009:

- members who joined the Fund before 1 April 2008 could reduce their locked-in contributions to 2% of gross salary or start locking in the portion of their contributions equal to 2% of gross salary. Locked-in employer contributions for these members increased from 1% to 2% of gross salary (or reduced to 2% of gross salary, if previously higher);
- members who joined the Fund on or after 1 April 2008 could also reduce their locked-in contributions to 2% of gross salary. Locked-in employer contributions for these members reduced from 4% to 2% of gross salary; and
- all new members were required to lock in the portion of their contributions equal to 2% of gross salary (matched by a lock-in of the portion of their employer's contributions equal to 2% of gross salary).

Refer to the latest Fund Investment Statement for further details.

### Tax on your employer's contributions to the Fund

Employer's superannuation contribution tax (ESCT) is deducted from your employer's contributions to the Fund for your benefit (other than contributions to your locked-in account, which are exempt from ESCT).

Your employer has elected to deduct ESCT at progressive rates which means that the ESCT rate varies depending on your earnings and employer superannuation contribution entitlements in the prior tax year (or an estimate of the current year's earnings and employer superannuation contribution entitlements if you have worked for less than one year).

With effect from 1 April 2009, the thresholds applicable to your employer's contributions to the Fund are:

Earnings plus before-tax employer contributions, in prior tax year	Contribution tax rate
Up to \$16,800	12.5%
\$16,801 - \$57,600	21%
More than \$57,600	33%

### Fund withdrawal tax

Fund withdrawal tax (FWT) of up to 5% may be imposed on certain of your employer's contributions on your behalf, and earnings on those contributions, when you leave service. The liability for FWT reduces by 25% for each of the four preceding income years during which your total taxable income (from all sources), plus before-tax employer superannuation contributions made for your benefit, was less than \$70,000.



Left to right – Doug Hall, Terry Reeves, David Butler, Mike Pond, Lucy Holthusen, Mike McNamara, Anneke Barkwith, Jessica Widodo, Angela Lines, Marty Cunningham, Dylan Morgan, Shane Tinnock and Brett Pascoe.

# Fund management

As a member of the Fund, you can be confident that the management of your superannuation investment is in good hands.

The overall running of the Fund is the responsibility of the Trustees. To assist with this, the Trustees have delegated the performance of certain functions to committees, each of which consists of a smaller group of Trustees. These committees report back to the full Trustee group.

## Who's looking after your Fund

### Trustees

As well as having overall responsibility for managing the Fund, the Trustees must ensure the Fund is governed in accordance with the Fund's Trust Deed (the legal document that governs the operation of the Fund) and relevant legislation.

The Trustees have a duty to act in members' best interests. They are also responsible for making sure that your rights as a member are protected, that your benefits are paid correctly and on time, and that the assets of the Fund are invested properly.

There are eight Trustees. Four are appointed by the company and four are elected by members. Elections are held for member-elected Trustee positions every three years.

### Changes to the Trustees

There have been no changes to the Trustees since the date of the last Annual Report.

As at 30 June 2009, the Trustees of the Fund were:

### Company-Appointed



**Xiaoling Liu (Chair)**

President  
Primary Metals  
Pacific Region

Rio Tinto Alcan  
New Zealand  
Limited



**Paul Hemburrow**

General Manager  
Operations

New Zealand  
Aluminium  
Smelters Limited



**Anita Cowley**

Manager Benefits

Rio Tinto Services  
Limited



**Jason Franklin**

Commercial  
Manager

New Zealand  
Aluminium  
Smelters Limited

### Member-Elected



**Ken Bolger**

Specialist Site  
Electrical Engineer

New Zealand  
Aluminium  
Smelters Limited



**Grant Cuff**

Accountant

New Zealand  
Aluminium  
Smelters Limited



**Allan Meikle**

VDC Casting  
Superintendent

New Zealand  
Aluminium  
Smelters Limited



**Mike Rapson**

Principal Advisor,  
Tax Advisory

Rio Tinto Alcan  
New Zealand  
Limited

The Fund Secretariat within Rio Tinto Services supports and advises the Trustees and the committees. It also helps manage the input and advice from the Fund's professional advisors.

### Investment Committee

The terms of reference of the Investment Committee are to assist the Trustees in relation to:

- the investments of the Fund, including the development and maintenance of appropriate investment objectives and strategies; and
- the management of all investment processes.

Current members:

- Xiaoling Liu (Chair)
- Anita Cowley
- Grant Cuff
- Mike Rapson

The Investment Committee is assisted by Wayne Grant of Rio Tinto Services.

### Membership and Benefits Committee

The terms of reference of the Membership and Benefits Committee are to assist the Trustees in relation to:

- ill-health and total disablement benefit claims and the distribution of death benefits;
- the determination of complaints;
- the preparation and review of all communications with members; and
- the preparation and review of the accounts, annual report and investment statement.

Current members:

- Paul Hemburrow (Chairman)
- Ken Bolger
- Jason Franklin
- Allan Meikle

The Membership and Benefits Committee is assisted by Amanda Oliver of Rio Tinto Services.

### A dedicated service team

In addition to the Fund Secretariat (a team within Rio Tinto Services dedicated to the management and administration of the Fund and the provision of investment advice) the Trustees are supported by a number of superannuation professionals who assist them to undertake various specialist tasks as follows:

Service	Advisor
Administration, accounting, actuarial, and superannuation and communication consulting	Mercer
Audit services	KPMG
Investment consultant	Mercer
Investment management	AllianceBernstein
	AMP Capital Investors (New Zealand) Limited
	BNZ Investment Management Limited
	Brook Asset Management Limited
	ING (NZ) Limited
	LaSalle Investment Management
	Lazard Asset Management
	MFS Investment Management
	Mint Asset Management Limited*
Legal advice	Chapman Tripp
Taxation services	PricewaterhouseCoopers

\* From 1 July 2009

### Privacy Act

Your personal information may be held by and, when necessary, passed amongst the Company, the Trustees and the Fund's professional advisors for the purposes of managing your benefit in the Fund. If you wish to check or amend your personal information, please call the Fund Helpline **0508 266 787**.

## Further information

If you would like further information about the Fund or your benefits, please call the Fund Helpline **0508 266 787**.

Any correspondence to the Trustees should also be addressed to the Fund Secretary at the following address:

Amanda Oliver  
Fund Secretary  
Rio Tinto New Zealand Retirement Fund  
GPO Box 384D  
Melbourne VIC 3001  
Australia

### Trust Deed amendments

On 22 October 2008, the Trust Deed was amended (effective 1 April 2008) to reflect recent legislative changes and also to expand and clarify certain provisions relating to members with locked-in accounts. Materially those members are now permitted to suspend locked-in contributions and replace them with standard contributions for a period, and new Fund members who have recently joined a KiwiSaver scheme are permitted to defer contributions to the Fund until 12 months after joining KiwiSaver.

The Trust Deed was further amended shortly following the year-end, but the changes took effect from 31 March 2009. Amendments were made to:

- allow employees who have reached New Zealand Superannuation age (currently 65) to elect to continue their contributory membership in the Fund;
- allow members who have reached age 65 to withdraw some or all of their standard account balances (that is, the balances in their member account, company account, any no.2 company account and any transfer account), less any deductions for fund withdrawal tax, despite still contributing to the Fund. Partial withdrawals are subject to maintaining a minimum account balance of \$5,000. Fees apply to certain partial withdrawals – refer to the Investment Statement for details; and
- provide for an insured benefit, limited to one times salary, to be paid from the Fund (provided it has not already been paid by the employer) in the event of the death or total disablement of a subsidised member aged 65 or over.

### Statement of investment policy and objectives

A copy of the Trustees' Statement of Investment Policy and Objectives for the Fund is available free of charge by calling the Helpline **0508 266 787**.

### Benefit entitlements

Enclosed with this report is a Membership Statement showing your personal benefit entitlements as at 30 June 2009. If, at some other time, you would like an up-to-date estimate of your benefits, you should call the Fund's Helpline **0508 266 787**. You can also obtain an estimate of your benefits from the Fund website [www.realsuper.superfacts.co.nz](http://www.realsuper.superfacts.co.nz).

### Nominating beneficiaries

A death benefit is payable if you die while you remain a Fund member. At the Trustees' discretion this may be paid to your nominated beneficiaries, to your estate or to any person you are obliged to support. Your spouse will automatically be a nominated beneficiary, unless you otherwise notify the Trustees in writing.

Before you joined the Fund you were given a nomination of beneficiaries form to complete to indicate to the Trustees who you would like your benefit paid to in the event of your death.

While the Trustees are not bound by your nomination, they will take your wishes into account. You should remember to keep your beneficiary details up-to-date by completing a new form if your personal circumstances change. You should also have an up-to-date will to ensure that if paid to your estate, your benefit is distributed as you would like.

### Insurance options

If your personal circumstances change, you may want to consider altering the amount of insurance cover provided by the Fund for your death, total and permanent disablement or ill-health. For example, you may consider that you require less cover when your children leave home, or alternatively more cover if you have recently married or have dependants reliant on your income. You can change your level of insurance each month with effect from the first of the following month (or another date nominated by the Trustees) by completing and returning an 'Application to Change Contributions, Insurance Level or Member Investment Choice' form at least five working days before you wish the change to take effect. Forms are available from the library page of the Fund website [www.realsuper.superfacts.co.nz](http://www.realsuper.superfacts.co.nz) or by calling the Fund Helpline **0508 266 787**.

Note that if you decide to change to a higher level of cover, you may have to complete a medical questionnaire and, if required, attend a medical examination.

## Membership summary

Contributory members	
<b>Contributory members as at 1 July 2008</b>	<b>842</b>
<b>Plus:</b> New entrants	<b>20</b>
<b>Less:</b> Leaving service withdrawals	(32)
Ill-health withdrawals (including total disablement)	(3)
Transfers to retirement account	(20)
Transfers to another fund	(2)
	<b>(57)</b>
<b>Total contributory members as at 30 June 2009</b>	<b>805</b>
Retirement account members	
<b>Retirement account members as at 1 July 2008</b>	<b>49</b>
<b>Plus:</b> Transfers from active membership	<b>20</b>
<b>Less:</b> Deaths	(1)
Full withdrawals	(13)
	<b>(14)</b>
<b>Total retirement account members as at 30 June 2009</b>	<b>55</b>
<b>Total membership as at 30 June 2009 (2008 – 891)</b>	<b>860</b>

## Earning rates

For each month the Trustees determine a credited earning rate (net of tax and investment management fees) for each investment option based on information provided by the Fund's investment managers less an allowance for an estimate of investment expenses and taxes.

At the end of each Fund year (30 June) the final credited rate for each investment option is calculated for the month of June, based on the Fund's financial statements, information from the investment managers, taxation and the rates already credited for the first 11 months of the Fund year.

The following table shows the credited earning rates used for each month during the year and the cumulative earning rates for the period commencing 1 July 2008.

Period	Growth		Balanced		Conservative		Cash	
	Credited earning rate	Cumulative year-to-date rate	Credited earning rate	Cumulative year-to-date rate	Credited earning rate	Cumulative year-to-date rate	Credited earning rate	Cumulative year-to-date rate
<b>2008</b>								
<b>July</b>	1.10%	1.10%	1.00%	1.00%	0.90%	0.90%	0.40%	0.40%
<b>August</b>	1.20%	2.31%	1.10%	2.11%	0.90%	1.81%	0.40%	0.80%
<b>September</b>	-9.00%	-6.89%	-6.60%	-4.63%	-4.00%	-2.26%	0.40%	1.20%
<b>October</b>	-10.60%	-16.76%	-5.40%	-9.78%	-1.90%	-4.12%	0.50%	1.71%
<b>November</b>	-4.90%	-20.84%	-3.60%	-13.03%	-2.50%	-6.52%	0.40%	2.12%
<b>December</b>	1.70%	-19.50%	0.60%	-12.50%	0.30%	-6.24%	0.40%	2.53%
<b>2009</b>								
<b>January</b>	-1.50%	-20.70%	0.00%	-12.50%	0.40%	-5.86%	0.40%	2.94%
<b>February</b>	-7.90%	-26.97%	-4.40%	-16.35%	-1.90%	-7.65%	0.20%	3.14%
<b>March</b>	0.60%	-26.53%	0.40%	-16.02%	0.30%	-7.37%	0.20%	3.35%
<b>April</b>	8.10%	-20.58%	5.50%	-11.40%	3.40%	-4.22%	0.20%	3.56%
<b>May</b>	0.90%	-19.86%	0.10%	-11.31%	-0.20%	-4.42%	0.10%	3.66%
<b>June</b>	1.60%	-18.58%	3.90%	-7.85%	5.70%	1.03%	0.80%	4.49%

When you leave the Fund, an interim earning rate will be allocated to your accounts for the period from the start of the month for which a monthly credited earning rate has yet to be declared to the date your benefit is payable.

The interim earning rate will be calculated using the returns earned by four unitised funds outside the Fund with asset allocations very similar to those of the Fund's investment options. Those unitised funds are used because the unit prices are readily available and are calculated on an after-tax basis. They are referred to as 'proxy funds'. The proxy funds are:

Fund investment option	Proxy fund*
Cash	Mercer Super Investment Trust Cash Fund
Conservative	Mercer Super Investment Trust Conservative Fund
Balanced	Mercer Super Investment Trust Balanced Fund
Growth	Mercer Super Investment Trust High Growth Fund

\* Minor adjustments will be made to reflect the lower investment fees applicable to the Fund's investment options.

If you elect to switch investment options, the amount switched will be calculated based on the monthly credited earning rate applying to your current investment choice. The new investment option you choose will take effect from the first of the month following the date your completed 'Application to Change Contributions, Insurance Cover Level or Member Investment Choice' form is received by the Fund's administrator.

If the Trustees declare a negative credited earning rate in any year for the investment option in which your account balances are invested, a corresponding reduction will be made to your accounts.

The Trustees reserve the right to alter the credited earning rate policy in the event of significant market movements, for example, if any of the large global sharemarkets or the New Zealand or Australian sharemarkets fall by more than 10% in a single day or if any or all of those sharemarkets are forced to close for an entire day or more because of any other unexpected event.

# Summary financial report

	2009 \$	2008 \$
<b>Statement of Changes in Net Assets</b>		
<b>Investment Activities</b>		
Net Investment Income/(Loss)	(8,146,536)	(9,749,928)
	<u>(8,146,536)</u>	<u>(9,749,928)</u>
<b>Other Revenues</b>		
Employer & Investment Manager Reimbursements	149,344	468,392
Total Other Revenue	149,344	468,392
Less		
<b>Other Expenses</b>		
Consulting Fees	107,350	45,000
Group Life Premiums	50,108	48,381
Interest Paid	22,257	166,047
Other Expenses	1,752	824
<b>Total Other Expenses</b>	<u>181,467</u>	<u>260,252</u>
<b>Change in Net Assets Before Taxation and Membership Activities</b>	<u>(8,178,659)</u>	<u>(9,541,788)</u>
Income Tax Expense	183,035	763,040
<b>Change in Net Assets After Taxation and Before Membership Activities</b>	<u>(8,361,694)</u>	<u>(10,304,828)</u>
<b>Membership Activities</b>		
Member Contributions	1,431,881	1,392,474
Employer Contributions	6,259,845	5,964,612
Less		
Benefits Paid	(7,242,481)	(6,924,549)
<b>Net Membership Activities</b>	<u>449,245</u>	<u>432,537</u>
<b>Net (Decrease)/Increase in Assets During the Year</b>	<u>(7,912,449)</u>	<u>(9,872,291)</u>
<b>Statement of Net Assets</b>		
<b>Assets</b>		
Financial Assets - Fair Value Through Profit or Loss	78,923,883	83,037,998
Income tax receivable	4,364	–
Other Assets	3,165,209	7,239,390
<b>Total Assets</b>	<u>82,093,456</u>	<u>90,277,388</u>
Less		
<b>Liabilities</b>		
Income Tax Payable	–	513,775
Sundry Creditors	30,829	56,066
Deferred tax liability	267,529	–
Total Liabilities	<u>298,358</u>	<u>569,841</u>
<b>Net Assets Available for Benefits</b>	<u>81,795,098</u>	<u>89,707,547</u>
<b>Vested Benefits*</b>	<u>79,587,086</u>	<u>87,507,683</u>
<b>Statement of Cash Flows</b>		
Net Cash Flows from Operating Activities	72,567	(2,460,929)
Net Cash Flows from Investing Activities	(4,147,429)	8,840,034
Net (Decrease)/Increase in Cash Held	(4,074,862)	6,379,105
Cash at Beginning of Year	7,225,917	846,812
<b>Cash at End of Year</b>	<u>3,151,055</u>	<u>7,225,917</u>

\* Vested benefits are benefits payable to members or beneficiaries under the conditions of the Trust Deed, on the basis of all members ceasing to be members of the Fund at balance date.



## Notes to the summary financial report

A summary of the Fund's audited financial statements for the year ended 30 June 2009 which were authorised for issue on 2 October 2009 is shown on page 14. The summary financial report has been extracted from the full audited financial statements dated 2 October 2009. The summary financial report has been prepared in accordance with FRS-43: Summary Financial Statements.

The full financial statements have been prepared in accordance with generally accepted accounting practice and they comply with the New Zealand equivalent to International Financial Reporting Standards (NZ IFRS). The Trustees made an explicit and unreserved statement of compliance with NZ IFRS in note 1 of the Fund's full financial statements.

The financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the Fund operates.

The summary financial report cannot be expected to provide as complete an understanding as is provided by the full financial statements of changes in net assets, net assets and cash flows of the Fund. A copy of the full financial statements can be obtained, free of charge, from the Fund's administration manager. The Fund is a profit-oriented entity.

The auditor has examined the summary financial report for consistency with the audited financial statements and has issued an unqualified opinion.



Kees Van Geuns, Lean Adviser and Joe Wynne, Superintendent Plant Services



## Audit report

### To the members of Rio Tinto New Zealand Retirement Fund

We have audited the summary financial report of Rio Tinto New Zealand Retirement Fund for the year ended 30 June 2009 as set out on page 14.

### Trustees' responsibilities

The Trustees are responsible for the preparation of a summary financial report in accordance with generally accepted accounting practice in New Zealand.

### Auditors' responsibilities

It is our responsibility to express an independent opinion on the summary financial report presented by the Trustees and report our opinion to you.

### Basis of opinion

We conducted our audit in accordance with New Zealand Auditing Standards and involved carrying out procedures to ensure that the summary financial report is consistent with the full financial report on which the summary financial report is based. We also evaluated the overall adequacy of the presentation of information in the summary financial report against the requirements of FRS-43: Summary Financial Reports.

Other than in our capacity as auditor we have no other relationship with or interests in the Fund.

### Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

- the summary financial report has been correctly extracted from the full financial report; and
- the information reported in the summary financial report complies with FRS-43: Summary Financial Reports and is consistent in all material respects with the full financial report from which it is derived and upon which we expressed an unqualified audit opinion in our report to members dated 7 October 2009.

Our audit was completed on 7 October 2009 and our unqualified opinion is expressed as at that date.

KPMG

Sean Hill  
Partner

Melbourne

7 October 2009

## Trustees' statement

The Trustees of the Rio Tinto New Zealand Retirement Fund:

- I. state that all contributions required to be made to the Fund in accordance with the terms of the Trust Deed have been made;
- II. certify that all benefits required to be paid from the Fund in accordance with the terms of the Trust Deed have been paid;
- III. certify that the market value of the assets of the Fund as at 30 June 2009 exceeded the total value of the benefits that would have been payable had all members of the Fund 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 as at 30 June 2009;
- IV. state that during the year ended 30 June 2009, more than 10% by market value of the assets of the Fund (calculated in accordance with generally accepted accounting practice) was invested in underlying funds issued and managed by each of AllianceBernstein, ING (NZ) Limited and AMP Capital Investors (New Zealand) Limited, who manage certain of the Fund's investments. The relevant underlying funds were:
  - WUT 49 – AllianceBernstein Global Style Blend;
  - ING International Share No.2 Fund, ING Wholesale Australasian Share Fund and ING Wholesale International Property Fund; and
  - AMP Capital Investment Funds – AMP Capital NZ Fixed Interest Fund, AMP Capital Hedged Global Fixed Interest Fund and AMP Capital NZ Cash Fund;
- V. state that in their opinion, after due enquiry by them, neither the value of the Fund's assets relative to its liabilities (including contingent liabilities) nor the ability of the Fund to pay its debts as they become due in the normal course of business have materially and adversely changed since 30 June 2009;
- VI. state that by reason of their meeting all "administrative costs" (as defined in clause 7(3) of the Securities Act (Employer Superannuation Schemes) Exemption Notice 2004) for the Fund, the employers participating in the Fund were not required, under the terms of the offer of Fund membership required by clause 7 of that Notice, to incur costs for the year ended 30 June 2009;
- VII. state that the market value of the Fund's assets subject to complying fund rules as at 30 June 2009 was \$1,412,030, relating to 173 members; and
- VIII. state that the value of withdrawals made from locked-in accounts subject to complying fund rules during the year ended 30 June 2009 was \$17,493.

Signed for and on behalf of the Trustees:



Trustee



Trustee

