

NZAS

RETIREMENT FUND

Your Super. Your Future.

ANNUAL REPORT

For the year ended 30 June 2016

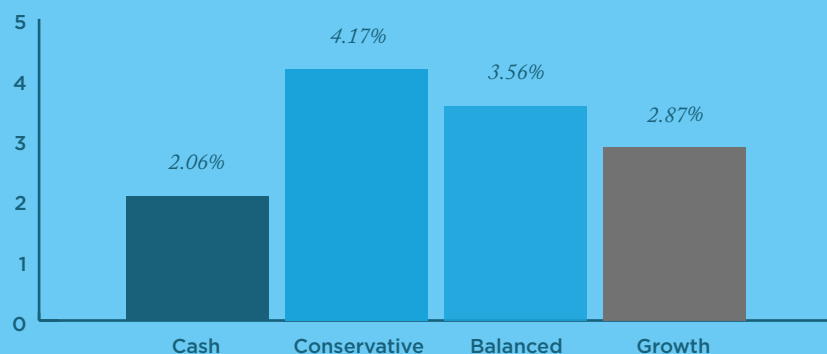


Cover image:
Colin McKee - Metallurgical Technician HSE & Analytical

Key Highlights

The Numbers

Investment fund returns (after tax & investment-related costs)
for the year ended 30 June 2016



650

active
members

61

retirement
account holders

14

new
members

\$139.2

million
in funds under management

LYNLEY HARRIS - A NOT SO QUIET RETIREMENT



Since leaving NZAS in January 2013 we have moved to Alexandra, where I worked for two and a half years doing Rail Trail Bookings in Clyde.

I retired from paid employment in January 2016. Now I fill my days with Tai Chi, which is a gentle way to exercise without the pain afterwards. I have wanted to do this for a long time and really enjoy it. I also take a friend's dog for a walk when I can. The weather in Alexandra is much more settled

so if you wrap up warm, the cold days are no excuse to stay indoors.

I have joined a local craft group where we meet weekly and do whatever crafts we like. It is an opportunity to meet other people and also get out of the house. Recently I have been in touch with some local volunteer organisations and I am looking at helping out at the local movie theatre, toy library and also being a grandparent in primary schools.

I now have the time to do things when and where I want such as going on holiday or even just visiting family and friends in other places.

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Message from the Chair

On behalf of the directors of NZAS Retirement Fund Trustee Limited (Trustee), I am pleased to present the Fund's annual report for the year ended 30 June 2016.



The investment year

Volatility well and truly returned to investment markets during the 2015/2016 Fund year. Until mid-third quarter this was driven by falling commodity prices (and oil prices in particular), slowing growth in China and speculation as to when, and by how much, US interest rates would rise. Markets began to settle from mid-February onwards as the US dollar softened and oil prices began to rise, suggesting the global economy was not headed for a recession. This improvement continued almost to the end of the Fund year, when the outcome of the British referendum on membership of the European Union threw markets into confusion. While the 'Leave' result took markets by surprise, they had all but recovered their Brexit losses by the end of the Fund year. However, the longer-term implications of Brexit for the UK and Eurozone economies in particular are still unclear.

Transition to the new regime

As scheduled, the Fund transferred to the new Financial Markets Conduct (FMC) Act regime on 23 September 2016. As part of the transition process, a number of changes have been made to the Fund's documents. Copies of all Fund documents are available on the Documents & forms page of www.realsuper.superfacts.co.nz and on the Companies Office Disclose website. For further information about changes to the Fund's operations as a result of the transition, see page 2.

What's in a name?

You may have noticed a change in the name and 'look and feel' of this annual report and benefit statement, and the Fund website www.realsuper.superfacts.co.nz. Given the need to amend most Fund documents as part of the transition to the new FMC Act regime, we have taken the opportunity to align both the Fund's name and all Fund communications with the New Zealand Aluminium Smelters Limited brand.

Trustee election results

Congratulations to the current member-elected trustee directors: Ken Bolger, Grant Cuff, Allan Meikle and Karen Sturman who have been re-elected for a further three-year term. Thank you also to Nicholas Hill and Sam McCready who provided members with two very credible and well-qualified alternatives. Pleasingly, 33% of eligible members cast a vote.

Benefits of Fund membership

Overall, your Fund compares very favourably with other employer-sponsored superannuation schemes. Of special note is the very generous employer contribution of 10% of your base salary and 5% of any bonus, and payment of the Fund's administration costs by the employer. By comparison, the employer contribution to a KiwiSaver scheme is 3% of salary and scheme costs are paid by the member.

Questions and answers

Thank you to everyone who took the time to respond to the member survey conducted in early 2016. Your input is much appreciated.

As always, if you have any questions about this report or the Fund, please call the Fund Helpline on 0508 266 787 or visit www.realsuper.superfacts.co.nz.

A handwritten signature in black ink, appearing to read 'Gretta Stephens'.

Gretta Stephens
Chair, NZAS Retirement
Fund Trustee Limited

Notice to Members from the Trustee of the NZAS Retirement Fund

We are pleased to let you know that on 23 September 2016 the Fund transitioned into the FMC Act regime and from that date the requirements of the FMC Act began applying to the Fund.

Last year's annual report referred to legislative changes that required all registered superannuation schemes to have complied fully with the Financial Markets Conduct Act 2013 (FMC Act) before 1 December 2016.

While most of the changes are operative and don't directly affect members, a significant change is that the Fund is now governed by a special purpose trustee company, NZAS Retirement Fund Trustee Limited. The trustee company was established because under the new regime, the Fund's assets must be held by a company rather than by a group of individual trustees. The directors of the trustee company (which is wholly owned by New Zealand Aluminium Smelters Limited) are the same people and are appointed in the same way as the former individual trustees – that is, four are directors appointed by the company and four are directors elected by the members.

The legislation also requires the trustee board to include a person who is:

- independent of the Fund's sponsoring employers, administration manager, investment consultants and any investment managers; and
- duly licensed by the Financial Markets Authority.

Tim McGuinness was appointed as the Fund's licensed independent trustee on 5 June 2015 and is now one of the four company-appointed trustee directors. As the Fund's licensed independent trustee director, Tim has specific additional obligations under the FMC Act but otherwise acts in the same capacity as every other member of the trustee board.

The transition to the FMCA regime has also involved changes to the Fund's documentation. The Fund's Investment Statement has been replaced by a Product Disclosure Statement (PDS) and documents such as the Trust Deed and Statement of Investment Policy and Objectives (SIPO) have also been comprehensively amended to align with the requirements of the FMC Act.

You can view or download copies of the new Trust Deed and SIPO from the Fund's entry on the 'Disclose' schemes register by visiting www.business.govt.nz/disclose, selecting Search schemes and entering the Fund by name.

You can view or download copies of the PDS and other offer materials for the Fund by visiting Disclose, selecting Search offers and entering the Fund by name.

You can also view or download copies of the new Trust Deed and SIPO, and of the PDS and other offer materials, by visiting the Fund's website www.realsuper.superfacts.co.nz and selecting Documents & forms, or by calling the Fund member helpline 0508 266 787 (Australia 03 8681 1849; international +61 3 8681 1849). A useful source of further information about the FMC Act is the Guide to the Financial Markets Conduct Act.

The Trustee, as the manager and issuer of the Fund, can be contacted through the Fund Secretary, whose details are as follows:

Philippa Kalasih
Fund Secretary
NZAS Retirement Fund
Mercer (N.Z.) Limited
PO Box 2897
Wellington 6140

You have the right to receive a copy of the new Trust Deed from the Trustee free of charge if, within 15 working days after receiving this annual report, you contact the Fund Secretary at the above address (or you contact the member helpline) to request a copy.

Another change made to the Fund since the date of the last annual report is that effective 22 July 2016 Pacific Aluminium (New Zealand) Limited was replaced by New Zealand Aluminium Smelters Limited as the "Company" for the purposes of the Trust Deed.

Investment Performance

WHAT HAPPENED IN INVESTMENT MARKETS OVER THE 12 MONTHS ENDED 30 JUNE 2016?

Overall, the global economic environment was mixed, with America and Europe seeing mild growth and China gradually slowing. There were also ongoing differences in the monetary policies of the major central banks, with the US Federal Reserve (the Fed) announcing its first rate hike in nearly 10 years in December, while the European Central Bank (ECB) and the Bank of Japan kept interest rates artificially low by effectively continuing to print money to buy bonds (also referred to as 'quantitative easing').

Despite global events, the New Zealand economy continued to put in a solid growth performance. While weaker commodity prices impacted on the dairy sector, oil prices remained low, and the strength of the New Zealand dollar was offset by growth in tourism, immigration and housing.

Trans-Tasman shares

The Fund's Trans-Tasman shares portfolio had another very good year. New Zealand shares continued to be the standout performer with the S&P/NZX 50 index returning 21.9% for the Fund year (though the Fund's before-tax return from this sector was a little lower than this benchmark, at 20.7%). Across the Tasman the news was not as good, as Australia's reliance on the commodities sector hit corporate profits and government revenue, which then flowed through to household spending.

International shares

Despite interest rates remaining at record lows, global shares had a difficult year. Most global share markets struggled until mid-February before bouncing back to recover most of their losses. Emerging markets had a mixed year, with some economies benefiting from falling commodity prices, while others came under pressure with their currencies and future growth prospects. European share markets also had a trying year, mainly due to concerns over the Greek debt negotiations, US interest rate rises, Chinese currency depreciation, collapsing oil prices, and latterly the aftermath of the Brexit referendum.

Real assets

The year's return from the Fund's real assets portfolio was second only to Trans-Tasman shares. Within the portfolio, unlisted infrastructure posted the strongest returns, with a number of key assets revalued upwards.

Property and listed infrastructure also performed well as further falls in interest rates saw investors move away from fixed interest securities ('bonds') to alternative income producing assets.

New Zealand fixed interest

Falling longer-term bond yields benefited returns from this portfolio, as did our relatively healthy economy and the higher income available from New Zealand bonds.

International fixed interest

With many governments continuing to cut interest rates and investors occasionally in panic mode, sovereign (government) bonds in particular performed well over the year. This sector also benefited from a flight to safety away from shares and into bonds as well as the actions and rhetoric of the European Central Bank and the Fed.

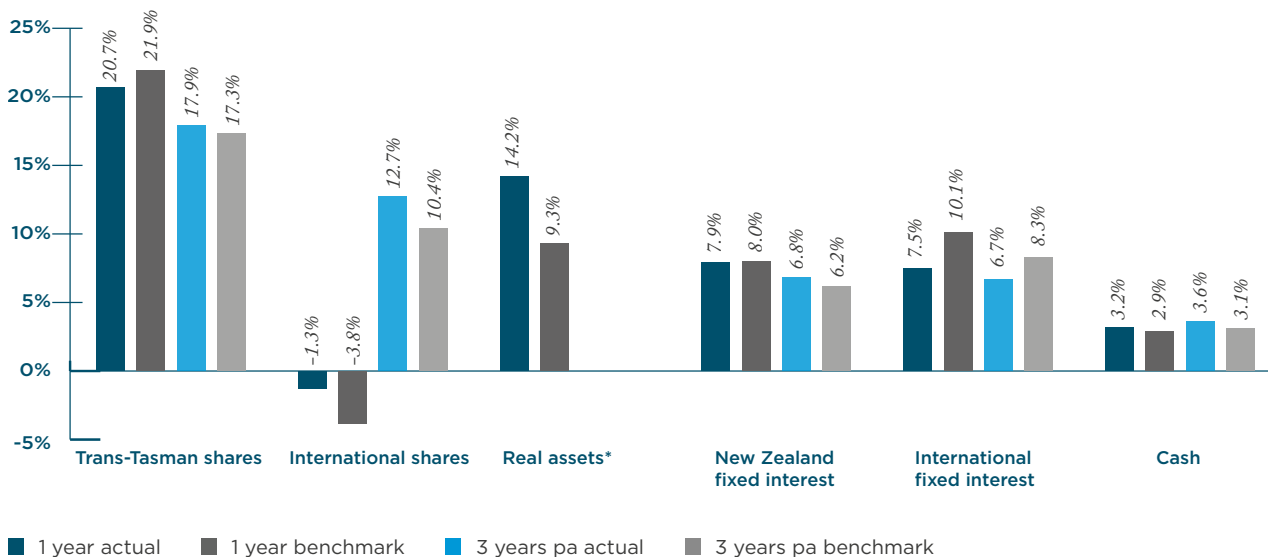
Cash

The return from the Fund's cash portfolio was down from the previous year as the Reserve Bank cut the Official Cash Rate (OCR) four times over the Fund year to try and stimulate inflation.

HOW HAS THIS AFFECTED THE FUND'S RETURNS?

The graph below compares the performance of each asset class against its benchmark return. The benchmark return is the return that could have been earned by investing in the index for that asset class (for example, the S&P NZX 50 for Trans-Tasman shares).

Gross returns by asset class – actual v. benchmark over 1 & 3 years to 30 June 2016



*As the Fund only began investing in real assets in May 2015, returns are only shown over one year.

HAVE THE INVESTMENT OPTIONS MET THEIR OBJECTIVES?

The trustee directors' broad investment objective for the Fund is to maximise long-term investment returns, while limiting fluctuations over shorter periods.

The aim for each investment option, other than Cash, is for the return (after tax, investment-related costs and other expenses) to exceed the Consumers Price Index (CPI) increase by a set percentage over a set period (with the percentages and periods differing depending on each option's risk and return profile).

The current investment objectives are:

Investment option	Objective	Return v. Objective % pa (as at 30 June 2016)
Growth	To exceed the increase in CPI by 3% pa over a rolling ten years on average.	Underperformed the objective by 0.8%.
Balanced	To exceed the increase in CPI by 2.5% pa over a rolling eight years on average.	Outperformed the objective by 2.1%.
Conservative	To exceed the increase in CPI by 2% pa over a rolling five years on average.	Outperformed the objective by 3.0%.
Cash	To produce returns near 90-day bank bill rates.	Outperformed the objective by 0.1%.

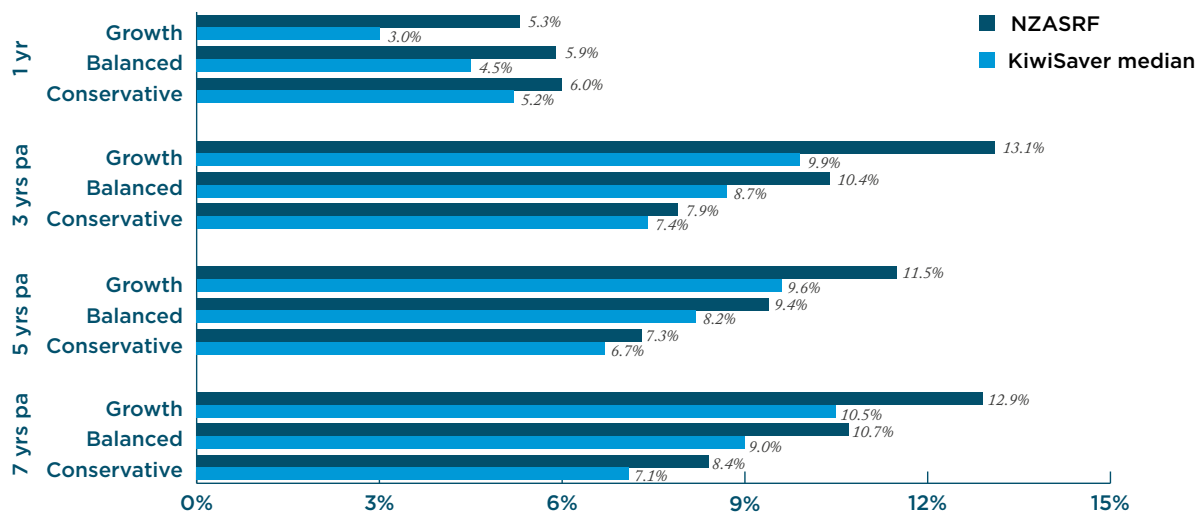
We set the investment strategy for each of the investment options with the aim of achieving the above long-term returns. Remember though that these are only our objectives.

The longer-term return from the Growth investment option continues to be affected by the global financial crisis of 2008/2009, which was the worst financial crisis since 1929. Though it has underperformed its objective over the 10-year period, the Growth option has outperformed its objective over one and three year periods.

HOW DO THE FUND'S RETURNS COMPARE WITH OTHER SCHEMES?

The graph below compares each investment option's return (after tax and investment-related costs and expenses) against the KiwiSaver median¹.

Investment fund returns (before tax & after fees) v KiwiSaver median for 1, 3, 5 & 7 years



The graph shows that all investment funds have outperformed the KiwiSaver median (or middle) return over all periods measured.

¹ KiwiSaver median means the median fund, for each of the periods noted, in the relevant category (Growth, Balanced or Conservative) in the Mercer KiwiSaver Survey (prepared quarterly).

NB: Past returns are not necessarily a good indication of future returns. Returns can vary when measured over different periods.

MARKET OUTLOOK

Slow and uncertain global growth, volatile financial markets and interest rates seem likely to continue to affect returns during the 2016/2017 Fund year.

Concerns about the outcome of the US presidential election, when and by how much the US Federal Reserve will lift interest rates and Britain's decision to leave the European Union, are all likely to influence returns. Another concern for investors is that some central banks appear to be running out of options to stimulate their economies, reflected in part by very low and in the case of Japan and Europe negative interest rates. Elsewhere, many emerging markets are still struggling to cope with the slowdown in China's growth and the long-term slump in trade and commodity prices.

Volatile share markets will most affect members invested in the Growth and Balanced options as they hold the highest proportion of their investments in shares.

Rising interest rates are likely to impact on returns from all four options; positively on the Cash option but for various reasons, adversely on the other three. Returns from the Growth and Balanced options could be impacted by falling share markets as investors take advantage of more predictable returns from cash. Returns from the Conservative option could also be affected because fixed interest securities (which make up 40% of the Conservative options target mix) retain the interest rate at the time they are purchased, so when interest rates rise, returns

on existing fixed interest securities (or bonds) will fall.

So what can/should you do?

- Remember, market downturns are part and parcel of investing and history shows they will recover.
- Don't try and time the markets by changing investment options to try and achieve the highest returns.
- Review your current investment strategy and check that it reflects your current circumstances.
- If you are still concerned, contact a suitably qualified investment adviser.

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 up to four investment options – Growth, Balanced, Conservative and Cash. Each investment option has a different benchmark (or target) mix of investment sectors or 'asset allocation', producing the different levels of expected return and risk. The charts below show the current target asset allocation¹ for each option and the risk indicator² for that investment option.

CASH FUND

Risk return profile

Expect lower levels of risk and return.

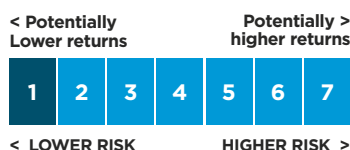
Objective

To produce returns near 90 Day Bank Bill rates.

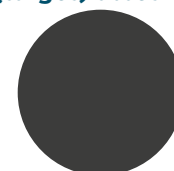
Estimated annual fund charges³

(% of your account balance)⁴: 0.31%

Intended risk level



Benchmark (target) asset mix



Growth 0%,
Defensive 100%

CONSERVATIVE FUND

Risk return profile

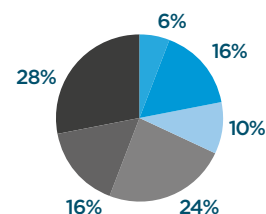
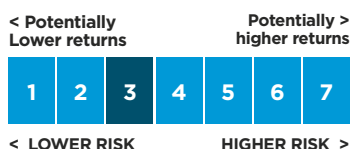
Expect lower returns over the long term, but less risk of losses.

Objective

Average returns of 2% p.a. above Consumer Price Index (CPI) increases over rolling five-year periods.

Estimated annual fund charges³

(% of your account balance)⁴: 0.54%



Growth 32%,
Defensive 68%

BALANCED FUND

Risk return profile

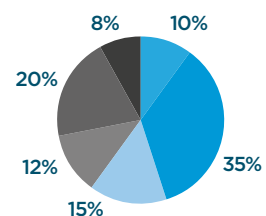
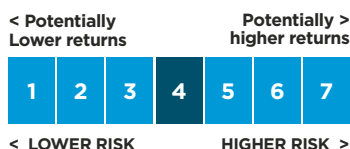
Expect returns that are reasonable (but lower than the growth fund) over the long term, and losses that are less than those for the growth option in bad years.

Objective

2.5% p.a. above CPI increases over rolling eight-year periods, on average.

Estimated annual fund charges³

(% of your account balance)⁴: 0.67%



Growth 60%,
Defensive 40%

GROWTH FUND

Risk return profile

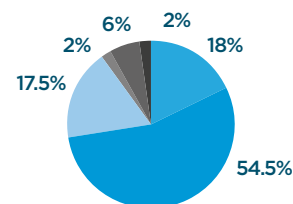
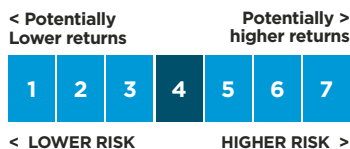
Expect higher returns than other funds over the long term, but higher losses in bad years.

Objective

3.0% p.a. above CPI increases over rolling 10-year periods, on average.

Estimated annual fund charges³

(% of your account balance)⁴: 0.74%



Growth 90%,
Defensive 10%

GROWTH ASSETS:

Trans-Tasman shares

International shares

Real assets

International fixed interest

New Zealand fixed interest

Cash

DEFENSIVE ASSETS:

¹ We may alter these benchmarks from time to time at our discretion, and we are permitted to invest within set ranges above and below each benchmark (for current details at any time, see the Product Disclosure Statement).

² See Section 4 (What are the risks of investing?) in the Fund's Product Disclosure Statement for an explanation of the risk indicator for each investment option and for information about other risks not included in the risk indicator.

³ Includes investment consulting and investment management fees. All administration fees are paid by your employer.

⁴ See Section 5 (What are the fees?) in the Fund's Product Disclosure Statement for further information about the fees.

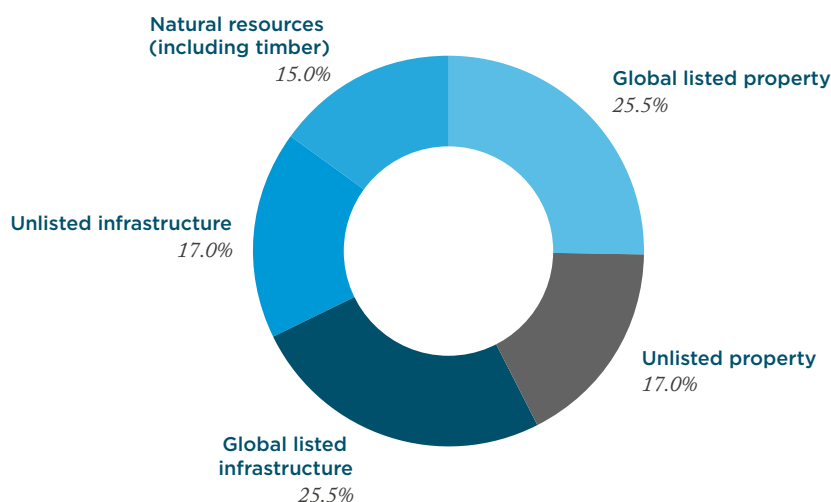
Investment Management

- We employ an investment consultant (Mercer) to advise on matters such as our investment objectives and strategy.
- We also employ an independent investment adviser to provide a second opinion and evaluate the performance of the investment consultant on an as-required basis.
- Day-to-day decisions about investments within each asset class are made by managers through agreed mandates.
- The underlying investment managers, and investment funds, that were used for the Fund's investment options as at 30 June 2016 are shown below:

Asset class	Investment manager	Fund name	Fund investment assets at 30 June 2016 (\$ million)	%
Trans-Tasman shares	ANZ New Zealand Investments Limited	ANZ Wholesale Australasian Share Fund	7.1	5.1
	Harbour Asset Management Limited	Harbour Australasian Equity Fund	7.0	5.1
International shares	ANZ New Zealand Investments Limited	ANZ Wholesale International Share Fund	45.7	33.0
Real assets	Mercer (N.Z.) Limited	Mercer Real Assets	18.5	13.4
New Zealand fixed interest	AMP Capital Investors (New Zealand) Limited	AMP Capital New Zealand Fixed Interest Fund	12.6	9.1
International fixed interest	AMP Capital Investors (New Zealand) Limited	AMP Short Duration Fund	4.6	3.4
	Mercer (N.Z.) Limited	Mercer Global Fixed Interest	13.4	9.6
Cash	AMP Capital Investors (New Zealand) Limited	AMP Capital Hedged NZ Cash Fund	29.5	21.3
TOTAL			138.4*	100.0

* Excludes \$0.8 million in the Fund's bank account.

The Fund's real asset investments are invested in the Mercer Real Assets portfolio, which is made up of a number of smaller asset classes. The chart below shows the current benchmark asset allocations for the Mercer Real Assets portfolio.



News and Superannuation Updates

HOUSEKEEPING YOUR SUPER

While you have the flexibility to change features such as your investment options, contribution rates, level of insurance cover and nominated beneficiaries at any time, receipt of your annual membership statement can be a useful trigger to review your arrangements to make sure they reflect your current personal circumstances.

HOME WITHDRAWALS AND KIWISAVER HOMESTART GRANTS

Effective 1 July 2016, the KiwiSaver withdrawal rules were changed to make it easier for those who had previously owned property to access their KiwiSaver savings in order to re-enter the housing market. From that date, the former income limits for withdrawals by someone who had previously held an estate in land were removed. This means previous home owners with low to moderate levels of realisable assets can now access their KiwiSaver savings to buy a home regardless of income.

The change is intended to help mid-life, middle-income earners who had been struggling to get back into home ownership, such as those who have been through a separation or business failure.

For further information, go to www.hnzc.co.nz/ways-we-can-help-you-to-own-a-home/kiwisaver-homestart-grant-and-savings-withdrawal/kiwisaver-first-home-withdrawal/kiwisaver-first-home-withdrawal-for-previous-home-owners/

Effective 1 August 2016, the KiwiSaver HomeStart grant criteria were changed so as to increase the income caps and regional house price caps. The house price caps now also differ as between existing/older properties and new properties. For further information, go to www.hnzc.co.nz/ways-we-can-help-you-to-own-a-home/kiwisaver-homestart-grant-and-savings-withdrawal/

NEW ZEALAND SUPERANNUATION RATES INCREASE

Each year the Government reviews the rate of New Zealand Superannuation. It is pegged to the national average ordinary-time wage, which is currently \$58,189 a year before tax.

From 1 April 2016 the annual rates before tax are:

Single person, living alone	\$23,058 pa
Single person, sharing	\$21,192 pa
Married couple	\$34,917 pa

For more information about eligibility go to www.workandincome.govt.nz.

NOEL CARSON - BUSY IN RETIREMENT

Retirement is great – I can thoroughly recommend it!

No more running to timetables to catch a bus, but that doesn't mean that life is lazy, you just make different choices. Time to enjoy altering garden layouts and renovating the home we bought in Geraldine. Life is too busy for tripping around at the moment and my son had ideas of me putting in a couple of days' work a week at the High Country Station he manages, but that will have to be the next thing on the agenda when I run out of things to do around the house.

I haven't had much time to enjoy my new four-wheel drive, but my water-blaster has been put to good use cleaning some serious mud off it. Glenys is hoping to do some exploring NZ trips, but apart from my busyness, she has had serious walking restrictions and has now had her knee reconstruction done which bodes well for the future.

However, freedom of time has meant we have been able to take short trips – eg, back to Invercargill for Glenys' parents 70th wedding anniversary, and up to Blenheim to reconnect with our barbershop singing buddies at the national convention, all without having to ask Shaun if I can have time off work.

Life is different after having workmates I knew well and catching up on the latest such as what the goat has been up to, and the gossip of what's happening in Bluff etc, but I'm sure with all this freedom which I am able to enjoy because of having a good super scheme, I will cope! All in all retirement is what you work towards your entire life, so hang in there – one day you'll all be like me and be old enough to retire too.



Managing the Fund

TRUSTEE

As part of the transition to the Financial Markets Conduct Act regime, the structure of the trustee board has changed. The Trust Deed has been amended to allow the Fund to be managed by a trustee company, NZAS Retirement Fund Trustee Limited, with the current trustees becoming the directors of that trustee company rather than individual trustees.

The Company will continue to appoint four trustee directors, and four member-elected trustee directors (member-elected directors) will continue to be chosen via an election held every three years. At least one of the four company-appointed trustee directors must be a licensed independent trustee. This is to ensure that there is one trustee director who is independent from the Fund's sponsors and who brings specific governance skills relating to financial services.

Tim McGuinness has been appointed as the Fund's licensed independent trustee director.

During the year there was one change to the Company-appointed trustees. Effective 14 March 2016, Paula Mayson resigned as trustee. Stephanie Pearce was appointed as a trustee effective 15 March 2016.

As at 30 June 2016, the trustees of the Fund were:

Company-appointed



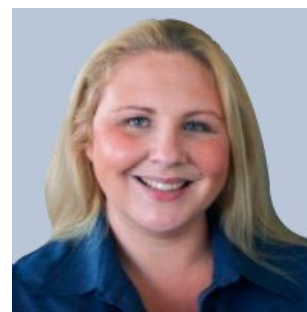
Gretta Stephens (Chair)
General Manager
New Zealand Aluminium Smelters Limited



Paula Checketts
Manager, Commercial & Support Services
New Zealand Aluminium Smelters Limited



Tim McGuinness
Licensed Independent Trustee



Stephanie Pearce
General Manager
Business Improvement and Technology
Pacific Aluminium Services Limited

Member-elected



Ken Bolger*
Retirement Account Member
(Retired Specialist Project Support)



Grant Cuff
Specialist Finance
New Zealand Aluminium Smelters Limited



Allan Meikle
Superintendent Carbon Rodding
New Zealand Aluminium Smelters Limited



Karen Sturman
Specialist Safety & Loss Prevention
New Zealand Aluminium Smelters Limited

Following the recent election the four sitting member-elected trustee directors were-elected for a further three-year term effective 1 November 2016.

*Ken Bolger can be contacted by email bolgers@hyper.net.nz or phone 03 214 9441 or 027 444 1051.

MEMBERSHIP AND BENEFITS COMMITTEE (MBC)

The MBC's terms of reference are to assist the trustee with:

- assessing ill-health and total disablement benefit claims and making decisions on the distribution of death benefits;
- resolving complaints;
- preparing and reviewing member communications and the Fund's accounts, annual report and product disclosure statement.

Current members:

- Ken Bolger
- Paula Checketts
- Grant Cuff (Chair)
- Allan Meikle
- Gretta Stephens
- Karen Sturman

A DEDICATED SERVICE TEAM

The trustee is supported by a number of superannuation professionals who assist with various specialist tasks:

Service	Adviser
Administration, accounting, actuarial, member education, communications and superannuation consulting	Mercer (N.Z.) Limited
Audit services	KPMG
Independent investment adviser	Melville Jessup Weaver
Investment consultant	Mercer (N.Z.) Limited
Legal advice	Chapman Tripp
Taxation services	Deloitte

PRIVACY ACT

Your personal information may be held by and, when necessary, passed among your employer, the trustee and the Fund's professional advisers for the purposes of managing your benefit in the Fund. If you wish to check or amend your personal information, please call the Fund Member Helpline 0508 266 787 (Australia 03 8681 1849; international +61 3 8681 1849).

FURTHER INFORMATION

If you would like further information about the Fund or your benefits, please call the Fund Member Helpline 0508 266 787 (Australia 03 8681 1849; international +61 3 8681 1849 or email nzasrf@mercerc.com).

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

Philippa Kalasih

Fund Secretary
NZAS Retirement Fund
Mercer (N.Z.) Limited
PO Box 2897
Wellington 6140

COMPLAINTS PROCEDURE

If you have a complaint, first call the Fund Member Helpline 0508 266 787 (Australia 03 8681 1849; international +61 3 8681 1849). If your complaint is complex, we may ask you to provide details in writing.

Once your complaint is received, the trustee has 40 working days to respond. If you are not satisfied by the trustee's response or if your complaint has not been resolved after 40 working days, you may refer the matter to the independent disputes resolution scheme operated by Financial Services Complaints Limited (FSCL) by emailing info@fscl.org.nz or by calling 0800 347 257.

Alternatively, you may write to FSCL at:

Financial Services Complaints Limited

101 Lambton Quay
PO Box 5967, Lambton Quay
Wellington 6145

Full details of how to access the FSCL scheme can be obtained on their website www.fscl.org.nz.

TRUST DEED AMENDMENTS

The Trust Deed was amended on 8 September 2016, effective 22 September 2016, to enable the Fund to have a sole corporate trustee in place of individual trustees.

The Trust Deed was then further amended, also on 8 September 2016, but effective 23 September 2016, by revoking all the current Trust Deed provisions and replacing them with new provisions in order to ensure the Fund's compliance with the FMC Act and make other more minor amendments. The changes made included:

- adopting new defined terms required by or consistent with the FMC Act;

- wider amendments to reflect that a corporate trustee would now govern the Fund;
- amendments to provide in more detail for valuing Fund assets and determining earnings rates;
- additions to provide for correcting, reporting and notifying any errors made when determining earnings rates;
- amendments to update the trustee's powers and responsibilities;
- amendments to record that the trustee's indemnity and limitation of liability protections are now subject to the limitations prescribed in the FMC Act;
- additions allowing the trustee to limit the liability of, or indemnify from Fund assets, an administration or investment manager (those were existing powers, but now need to be set out in the Trust Deed);
- amendments to confirm that the investments of the Fund must be held and managed in accordance with the FMC Act (and that the trustee must maintain and comply with an FMC Act-compliant Statement of Investment Policies and Objectives); and
- amendments to record new FMCA requirements relating to record-keeping, reporting to members and the Financial Markets Authority and maintaining public register entries.

NOMINATING BENEFICIARIES

A death benefit is payable if you die while you are a Fund member. At the trustee's discretion this may be paid to your nominated beneficiaries, to your estate or to any person you are obliged to support (or to any two or more of those persons in such shares as the trustee determines). Your spouse will automatically be a nominated beneficiary, unless you otherwise notify the trustee in writing.

Before you joined the Fund you were given a nomination of beneficiary form to complete, to indicate to the trustee who you would like your benefit paid to in the event of your death. While the trustee is not bound by your nomination, it will take your wishes into account. You should remember to update your beneficiary details if your personal circumstances change. You should also ensure that you have an up-to-date will so that, if paid to your estate, your benefit is distributed as you would like.

It is important to make your wishes known and keep your nomination up to date, particularly if your family or relationship circumstances change. You can nominate more than one person and you can change this at any time. You can update your nomination by logging onto www.realsuper.superfacts.co.nz and going to the Beneficiaries page, downloading the form NZAS5 from 'Documents & Forms' or by calling the Helpline on 0508 266 787 (Australia 03 8631 1849, international +61 3 8681 1849).

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 apply to change your level of insurance each month with effect from the first of the following month (or another date nominated by the trustee) by completing and returning an 'Application to Change Insurance Cover' form (NZAS14B) at least five working days before you wish the change to take effect. Forms are available from the 'Documents & Forms' page of the Fund website www.realsuper.superfacts.co.nz.

Note that if you decide to change to a higher level of cover, you will have to complete a medical questionnaire and, if required, attend a medical examination. The trustee may then impose restrictions on the amount, or the conditions for payment, of your increased cover (or refuse to allow the increase).

MEMBERSHIP SUMMARY

Active members

Active members as at 1 July 2015	685
Plus: New entrants	14
Less: Leaving service withdrawals	(35)
Ill-health and total & permanent disablement benefits	(3)
Transfers to retirement accounts	(10)
Transfers to KiwiSaver	(1)
Total active members as at 30 June 2016	650

Retirement account members

Retirement account members as at 1 July 2015	55
Plus: New retirement account holders	10
Less: Deaths	(2)
Full withdrawals	(2)
Total retirement account members as at 30 June 2016	61
Total membership as at 30 June 2016	711

DECLARED MONTHLY EARNING RATES

Every month between July and May, the trustee determines a monthly earning rate for each investment option, based on the Fund's investment returns less an estimated allowance for investment expenses and taxes. At the end of each Fund year (30 June), final earning rates are calculated for June, based on the Fund's financial statements, information from investment managers, taxation and the rates already applied for the previous 11 months.

The following table shows the monthly earning rates used during the year and the cumulative earning rates for the period commencing 1 July 2015.

Period	Cash		Conservative		Balanced		Growth	
	Monthly rate	Cumulative year-to-date	Monthly rate	Cumulative year-to-date	Monthly rate	Cumulative year-to-date	Monthly rate	Cumulative year-to-date
2015								
July	0.22%	0.22%	1.34%	1.34%	1.99%	1.99%	2.68%	2.68%
August	0.19%	0.41%	-1.13%	0.19%	-2.43%	-0.49%	-3.87%	-1.29%
September	0.17%	0.58%	-0.69%	-0.50%	-1.46%	-1.94%	2.28%	-3.54%
October	0.17%	0.75%	1.77%	1.26%	3.11%	1.11%	4.53%	0.83%
November	0.18%	0.93%	0.22%	1.49%	0.54%	1.65%	1.01%	1.84%
December	0.17%	1.11%	-0.42%	1.06%	-1.02%	0.62%	-1.41%	0.41%
2016								
January	0.17%	1.28%	-0.47%	0.59%	-1.50%	-0.89%	-2.64%	-2.24%
February	0.17%	1.45%	0.40%	0.99%	0.31%	-0.58%	0.16%	-2.09%
March	0.17%	1.62%	1.74%	2.75%	2.81%	2.21%	3.97%	1.80%
April	0.14%	1.76%	0.44%	3.20%	0.59%	2.81%	0.71%	2.52%
May	0.15%	1.92%	0.92%	4.15%	1.53%	4.39%	2.30%	4.88%
June	0.14%	2.06%	0.02%	4.17%	-0.79%	3.56%	-1.92%	2.87%

NB: Cumulative returns are calculated using compound returns and are rounded. Past performance is not a guide to future performance.

If the trustee declares a negative year-end, or monthly earning rate in any year for any investment option in which your account balances are invested, a corresponding reduction will be made to your accounts.



LEAVING THE FUND

Interim earning rate

When you leave the Fund, interim earning rate(s) will be allocated to your accounts for the period from the latest month for which the relevant monthly earning rate(s) have been declared.

Every week interim earning rates are calculated using the returns earned by four unitised funds 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':

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

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

A reduction will be made to your accounts if the weekly earning rate(s) is (or are) negative.

For the period from the end of the latest week for which the weekly rates have been calculated to the date you leave service (or in the case of a locked-in balance, transferred to a KiwiSaver scheme), earnings will be applied to your balance using a rate equal to the Official Cash Rate (OCR) net of tax. For further information about the OCR go to www.rbnz.govt.nz/monetary-policy/official-cash-rate-decisions.

If your benefit is paid after you leave service, the same rate will apply for the period to the date your benefit is actually paid.

Further information is available in the "Crediting Rate Policy Document" for the Fund which is available both on www.business.govt.nz/disclose (select Search offers and enter the Fund by name) and from the Documents & forms page of www.realsuper.superfacts.co.nz.

CHANGING INVESTMENT OPTIONS

Investment switches may be made monthly. Your new investment strategy will take effect from the first day of the month following the month in which your application to change investment options is received.

If you change your options online, your election must be received by the last day of the current month. If you complete a paper form, your completed form must be received by NZAS HR at least five working days prior to the first day of the month you wish the change to take effect.

You will receive confirmation from the Fund Administrator approximately two weeks following the date of your online switch or receipt of your form and the change will then occur once the monthly earnings rates are finalised. Your new investment option will apply to your total account balances and all future contributions.

For example, if on 18 October the Fund receives a request from you to switch from the Cash option to the Growth option, the switch will be effective from 1 November. However, the change will not be reflected on the Fund's website until the monthly earnings rate for the Cash option is declared for October, which should be around 24 November.

Changes to earning rates policy

The trustee reserves the right to alter its earning rates policy in the event of significant market movements (for example, if any of the large global share markets or the New Zealand or Australian share markets falls by more than 10% in a single day or if any or all of those share markets is forced to close for an entire day or more because of any other unexpected event).

Summary Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
Statement of Changes in Net Assets		
Investment Activities		
Net Investment Income	6,350,528	13,107,977
Other Income	122,853	-
Net Income	<u>6,473,381</u>	<u>13,107,977</u>
<i>Less</i>		
Other Expenses		
Catastrophe Insurance Premiums	57,407	56,961
Investment Consulting Fees	112,511	129,167
Total Other Expenses	<u>169,918</u>	<u>186,128</u>
Change in Net Assets before Taxation and Membership Activities	6,303,463	12,921,849
Income Tax Expense	2,212,615	(483,964)
Change in Net Assets after Taxation and before Membership Activities	<u>4,090,848</u>	<u>13,405,813</u>
Membership Activities		
Member Contributions	2,505,462	2,447,129
Member Tax Credits	110,512	109,536
Employer Contributions	4,371,710	4,460,341
Transfers in from Other Schemes	126	-
<i>Less</i> Benefits Paid	8,674,256	5,440,122
Transfers out to Other Schemes	12,077	-
Net Membership Activities	<u>(1,698,523)</u>	<u>1,576,884</u>
Net Increase in Net Assets During the Year	<u>2,392,325</u>	<u>14,982,697</u>
Statement of Net Assets		
Assets		
Cash at Bank	764,613	1,130,436
Investments	138,418,268	134,308,330
Sundry Debtors	2,155	1,327
Prepayments	16,046	15,874
Income Tax Receivable	17,907	17,907
Deferred Tax	20,904	1,526,693
Total Assets	<u>139,239,893</u>	<u>137,000,567</u>
<i>Less</i>		
Current Liabilities		
Contributions Refundable	485	-
Benefits Payable	279,066	430,297
Sundry Creditors	29,172	31,425
Total Liabilities	<u>308,723</u>	<u>461,722</u>
Net Assets Available to Pay Benefits	<u>138,931,170</u>	<u>136,538,845</u>
Vested Benefits*	<u>135,262,982</u>	<u>133,143,809</u>
Statement of Cash Flows		
Net Cash Flows (used in)/from Operating Activities	(1,865,823)	1,593,349
Net Cash Flows from/(used in) Investing Activities	1,500,000	(1,325,758)
Net (Decrease)/Increase in Cash Held	(365,823)	267,591
Cash at Beginning of Year	1,130,436	862,845
Cash at End of Year	<u>764,613</u>	<u>1,130,436</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 STATEMENTS

A summary of the Fund's audited financial statements for the year ended 30 June 2016 which were authorised for issue by the trustee on 19 September 2016 is shown on page 14 of this annual report. The summary financial statements have been extracted from and are an abridged version of the full audited financial statements dated 30 June 2016 which were authorised for issue on 19 September 2016. The summary financial statements have 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 New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). The Fund has made an explicit and unreserved statement of compliance with NZ IFRS in note 2 of its 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 statements 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 orientated entity.

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



Casey Black
Operator, Crew 4
Carbon Rodding

Audit Report



TO THE MEMBERS OF NZAS RETIREMENT FUND

The accompanying summary financial statements on pages 14 to 15, which comprise the summary statement of net assets as at 30 June 2016 and the summary statement of changes in net assets and cash flows for the year then ended, and related notes, are derived from the audited financial statements of NZAS Retirement Fund ("the fund") for the year ended 30 June 2016. We expressed an unmodified audit opinion on those financial statements in our audit report dated 19 September 2016. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our audit report on those financial statements.

The summary financial statements do not contain all the disclosures required for full financial statements under generally accepted accounting practice in New Zealand. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of NZAS Retirement Fund.

This report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the fund's members those matters we are required to state to them in the 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 fund's members as a body, for our audit work, this report or any of the opinions we have formed.

TRUSTEE'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The trustees are responsible for the preparation of a summary of the audited financial statements, in accordance with FRS-43 *Summary Financial Statements*.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the 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 fund.

OPINION

In our opinion, the summary financial statements, derived from the audited financial statements of NZAS Retirement Fund for the year ended 30 June 2016, are a fair summary of those financial statements, in accordance with FRS-43 *Summary Financial Statements*.

A handwritten signature of the KPMG firm, written in black ink, appearing as 'KPMG' in a cursive, stylized font.

19 September 2016
Wellington

Trustee's Statement

The trustee of the NZAS Retirement Fund:

- i. states that all contributions required to be made to the Fund in accordance with the terms of the Trust Deed have been made;
- ii. certifies that all benefits required to be paid from the Fund in accordance with the terms of the Trust Deed have been paid;
- iii. certifies that the market value of the assets of the Fund as at 30 June 2016 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 2016;
- iv. states that during the year ended 30 June 2016 more than 10% of the 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 (or by associated persons of) each of AMP Capital Investors (New Zealand) Limited, ANZ New Zealand Investments Limited and Mercer (N.Z.) Limited, who manage certain of the Fund's investments;
- v. states that in its opinion, after due enquiry by it, 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 2016;
- vi. states 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 2016;
- vii. states that the market value of the Fund's assets subject to complying fund rules (i.e. held in locked-in accounts) as at 30 June 2016 was \$8,611,482 relating to 275 members; and
- viii. states that the value of withdrawals made from locked-in accounts during the year ended 30 June 2016 was \$547,986.

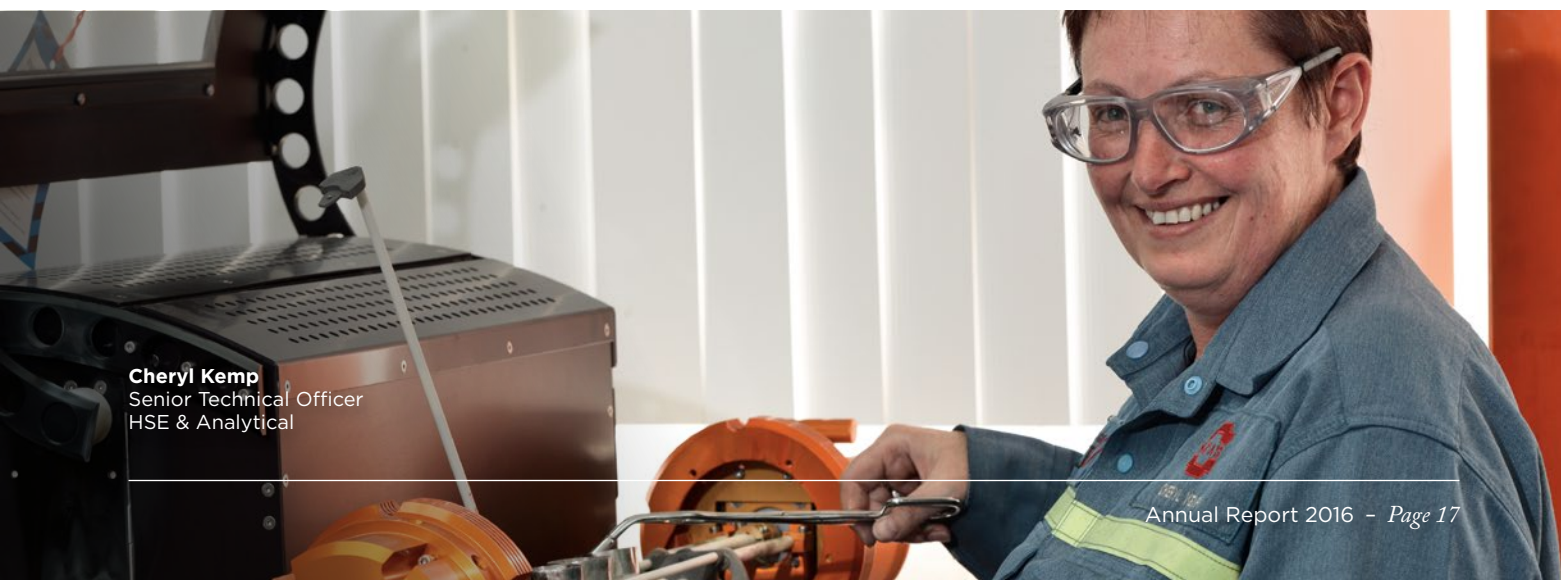
Signed for and on behalf of the trustee:



Director



Director



Cheryl Kemp
Senior Technical Officer
HSE & Analytical

