

Rio Tinto New Zealand Retirement Fund

Annual report

for the year ended 30 June 2013



Contents

- 1 Message from the Chair
- 2 Investment overview
- 4 More about investments and earnings
- 5 How your investment options performed
- 7 How the Fund performed
- 8 Investment management
- 9 Superannuation news
- 10 Fund management
- 12 Further information
- 15 Summary financial statements
- 16 Audit report
- 17 Trustees' statement

Front cover: Bins of ingot in metal yard

Message from the Chair



“Even with a patchy global economic backdrop and some weakness in investment markets late in the year, overall 2012/2013 was an outstanding year for the Fund’s investments, which produced some of the best returns for the past decade.”

On behalf of my fellow trustees, I am pleased to present the Fund’s annual report for the year ended 30 June 2013.

Even with a patchy global economic backdrop and some weakness in investment markets late in the year, overall 2012/2013 was an outstanding year for the Fund’s investments, which produced some of the best returns for the past decade.

The Balanced and Growth options delivered particularly strong results for members. After deduction of tax and expenses, members investing in the Balanced option benefited from a return of 13.5% for the year, while the return to members invested in the Growth option was 19.1%. This was despite a drop of 1.8% for the Balanced option and 2.5% for the Growth option over the month of June as markets reacted to suggestions that the US Federal Reserve may ease the pace of its asset buying programme.

Looking forward, market commentators are quietly optimistic about prospects for the global economy. Growth in the US economy is gaining momentum. The euro area as a whole is out of recession and Japan’s economy has rebounded under its new government’s more expansionary policies. Gradually improving economic growth is positive for share markets. However, interest rates are expected to move upwards as governments withdraw stimulus measures, which could result in below average (and possibly negative) returns from fixed interest investments.

The year has been one of change for the Fund. In late 2012 it was decided to bring the Fund secretariat back to New Zealand. Philippa Kalasih of Mercer has been appointed as Fund Secretary. (See page 12 for contact details.) In addition, following the trustees’ decision to disband the Investment Committee, Melville Jessup Weaver has been appointed as the Fund’s independent investment adviser.

The Government continues to introduce legislation aimed at rebuilding market and investor confidence in New Zealand’s financial markets following the global financial crisis and the failure of finance companies. For further details and the impact of this legislation on the Fund and your membership see page 9.

During the year some new features have been introduced to help make managing your super easier. In early 2013 a new mobile website was launched allowing you to view personalised information about the Fund using your smartphone.

To make calling the helpline easier and faster, a new feature has been added called fast track caller ID. If you input your member number and PIN into your telephone key pad, your personal details will be available to the helpline consultant when your call is answered. For further information about these new initiatives, see page 9.

The trustees have recently commissioned a review of the Fund’s strategic asset allocation. Any changes as a result of the review will be communicated to you in due course.

We do hope that you were able to attend one of the new financial life skills presentations. We value your feedback on these so if you haven’t already completed and returned the questionnaire provided at the end of the presentation, we encourage you to do so.

A number of changes occurred among the trustees during the year, and these are detailed on page 10. I’d like to welcome the Fund’s new trustees and thank the outgoing trustees for their contribution to the smooth running of the Fund.

Brian Cooper
Chair of Trustees

Investment overview

What drove investment returns over the last 12 months?

The Fund's strong results for the 2013 year were driven largely by the performance of its growth-style assets such as trans-Tasman and overseas shares and listed infrastructure. Trans-Tasman shares returned 34.5% for the year. Listed infrastructure and overseas shares produced healthy returns of 29.2% and 19.7% for the same period.

International and trans-Tasman property also garnered strong returns throughout the 12 months to 30 June 2013 but the performance of defensive-style fixed interest and cash assets, while positive, lagged returns from the Fund's growth assets.

The 2012 – 2013 financial year: Quarter by quarter

September 2012 quarter

Investment markets started the Fund year well as the European Central Bank (ECB), the US Federal Reserve and China made moves to boost growth in their economies. In Europe, the ECB introduced a new bond-buying initiative aimed at driving down borrowing costs in some of its troubled periphery countries such as Spain and Portugal. The ECB President pledged to "do whatever it takes" to support the euro zone. In the US, the Federal Reserve announced a third round of asset purchasing providing a boost not only to the US but to the global economy. In China, the central bank cut interest rates twice.

The Fund's strongest return for the quarter came from trans-Tasman shares, reflecting a stellar quarter for the New Zealand share market, which benefited as companies posted better than expected profits and the effects of new economic policies overseas filtered through to our economy. Lingering concerns about China's economy kept the return from Australian shares more moderate. Although outperformed by the two trans-Tasman sectors and global listed infrastructure, international shares also had a good quarter, largely in anticipation of a third round of asset purchasing from the US Federal Reserve.

December 2012 quarter

Share markets continued to strengthen over the December quarter, with many approaching or reaching five year highs as generally pleasing US economic data and the conclusion of the US presidential election offset fears about the looming US "fiscal cliff". The final agreement reached at the eleventh-hour raised taxes on the richest Americans but temporarily delayed huge spending cuts in domestic and military spending. Had agreement not been reached, it would have sent the US back into recession.

In Europe news centred on the resignation of Italy's prime minister and yet another bailout for Greece. On a brighter note, the euro zone continued to benefit from the announcement of a new programme under which the ECB purchases bonds issued by euro zone member-states. However, although the programme helped bring down interest rates, the area continued to feel the very real effects of austerity measures.

The big news, however, was Japan's three rounds of asset-purchasing measures in the December quarter alone, implemented by newly-inducted Prime Minister Shinzō Abe, which had markets reacting buoyantly. This also helped drive the yen sharply lower against the US dollar, providing a vital boost to the country's key export sector.

Again, trans-Tasman shares posted the Fund's strongest quarterly return and it was the New Zealand share market that performed best. However, investors' enthusiasm for shares curbed returns from fixed interest investments and cash, all of which posted relatively flat (but positive) returns.

March 2013 quarter

To investors' delight, 2013 started the way 2012 ended with strong returns despite the occasional European crisis. The last-minute (and much needed) compromise that avoided the worst of the US fiscal cliff, coupled with signs of growth in the US and China, created momentum which largely carried through the whole quarter, in spite of events in Italy and Cyprus.



View looking over rolling block in metal yard

In Italy, politicians struggled to form a stable government following an inconclusive election in February, while the terms of a second and final bailout for Cyprus included a restructure of its financial sector and the freezing of all bank deposits over €100,000, which will also be subject to a tax of up to 40%. Fears that this will become the blueprint for future bailout conditions caused momentary jitters in share markets.

The US share market had a strong quarter, with the Dow Jones reaching a record high in early March. The Japanese share market continued to go from strength to strength in anticipation of its central bank enacting aggressive new monetary policy to stave off deflation and consequently depreciate the yen.

The Fund's investments in growth assets continued to perform well. International listed infrastructure posted the quarter's best result followed by trans-Tasman shares.

June 2013 quarter

The final quarter of the Fund year started well with financial markets continuing the positive trend which began early in the Fund year. Unfortunately it proved to be a quarter of two halves for financial markets. Early on, the Bank of Japan announced its intention to buy ¥50 trillion (NZ\$600 billion) of Japanese government debt every year to boost its economy, which has been plagued by slow growth and deflationary conditions for the last 20 years. In Europe, in a widely anticipated move, the ECB lowered the euro zone's interest rate to a historic low of 0.5%. The US announced more positive economic data and the Federal Reserve left its key target at 0.25% and its asset purchasing programmes unchanged.

However, it only took a few words from US Federal Reserve Chairman, Ben Bernanke, for market buoyancy to subside in late May. Mention of a "tapering" to the US asset-purchasing programme in order to encourage the economy to stand on its own feet again saw markets retreat, proving investors won't easily forget the events of recent years. Despite this end of year setback, markets had enough momentum to finish the year strongly.

The Fund's strongest return for the quarter came from international listed infrastructure followed by international shares. In fact, these two sectors and cash were the only asset classes to post positive returns for the June quarter.

The outlook

Global growth is projected to remain at a similar level to last year. Major advanced economies such as the US, Japan and the UK are expected to make steady progress. However, partly triggered by discussion of tapering the asset-purchasing programme in the US, in several major emerging economies growth has slowed. While China appears to have passed the trough, major emerging economies, especially those with large current account deficits are likely to struggle.

With the anticipated reduction of the US asset-purchasing programme, investors have tended to move away from fixed income investments. At the same time, improving economic data has encouraged investors to move into growth assets and away from fixed income investments. Anticipation surrounding the timing of the reduction in the US asset-purchasing programme is expected to make investment markets volatile in the short term.

In New Zealand, the Reserve Bank has indicated that an Official Cash Rate of 2.5% is here to stay until at least 2014. The Kiwi dollar is expected to continue to be volatile.

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 up to 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 also 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 must always remember that past performance cannot be relied on as an indicator of future performance.

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

See pages 5 to 6 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 the appointment of investment managers and guidelines for investments in derivatives.

The trustees regularly monitor each investment option's performance against their objectives and strategy and make changes where they consider them necessary. A copy of the Fund's Statement of Investment Policy and Objectives is available on request by calling the Fund Member Helpline 0508 266 787 (Australia – 03 8681 1849 international +61 3 8681 1849).

There are different levels of expected 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 investment statement from the Documents & forms page of realsuper.superfacts.co.nz or by calling the Fund member Helpline 0508 266 787 (Australia – 03 8681 1849 international +61 3 8681 1849).

Some investment terms explained

Asset class – a broad category of investments such as trans-Tasman 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'.

Cash – money invested in short-term (generally less than a year) interest-paying investments.

Consumers Price Index (CPI) – is used to measure the rate of 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 provide an income rather than for long-term growth. Examples are fixed interest and cash.

Derivatives – a collective term for securities whose prices are based on the prices of an underlying investment such as cash, commodities, fixed interest securities or shares.

Developed markets – countries with a high standard of living, a well-run stock market, and (mostly) free trade. Developed markets include most of Western Europe, Australia, Canada, Hong Kong, Japan, New Zealand, Singapore, and the United States.

Earnings – investment earnings, which generally occur as a result of capital gains or losses (the value of the underlying asset changing) and dividends or interest payments.

Emerging markets – nations in the process of rapid growth and industrialisation. The economies of China and India are considered to be the largest in this group. An emerging market economy is defined as an economy with low to middle per capita income. Such countries constitute approximately 80% of the global population, and represent about 20% of the world economy.

Fiscal cliff – refers to US\$600 billion of tax increases and spending cuts that were scheduled to take place in the US on 1 January 2013.

Fixed interest – investments that pay a fixed rate of return for a specific period of time. This includes investments such as debentures, bonds or unsecured notes and can also include money on deposit in a fixed-interest account with a bank, building society or credit union.

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.

Shares – (sometimes referred to as stocks or equities) part ownership of a company. Each share is a proportional stake in a company's assets and profits, some of which could be paid out as dividends.

How your investment options performed

The following charts show the benchmark (or target) asset mix for each investment option effective as at 30 June 2013 and its performance measured against the timeframe over which the trustees aim to meet the relevant investment objective.

Growth option

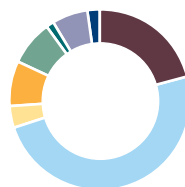
The Growth option continues to target an allocation of 90% in growth assets (shares, property and international listed infrastructure) and 10% in defensive assets (fixed interest and cash). With a higher percentage of its assets in growth assets, it can be expected that the Growth option will typically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

Performance for the year ended 30 June 2013

The Growth option achieved a net return of 19.1% for the year, compared with a return of -2.5% for the previous year.

Over the past 10 years, the Growth option has earned an average net return of 5.2% p.a. In comparison, the Consumers Price Index increased by an average 2.6% p.a. over the same period.

Benchmark (or 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	2.0%
International fixed interest	6.0%
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 five-year periods.

Performance for the year ended 30 June 2013

The Balanced option posted a net return of 13.5% compared to -0.1% for the previous year.

Over the past five years, the Balanced option has earned an average net return of 4.8% p.a. In comparison, the Consumers Price Index increased by an average 2.1% p.a. over the same period.

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	12.0%
International fixed interest	20.0%
Cash	8.0%

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 this option is unlikely to achieve high returns.

Performance for the year ended 30 June 2013

The Conservative option returned a net 8.3% against a return of 2.2% for the previous year.

Over the past three years, the Conservative option has earned an average net return of 5.7% p.a. In comparison the Consumers Price Index increased by an average 2.3% p.a. over the same period.

Benchmark (or 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	24.0%
International fixed interest	16.0%
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 2013

The Cash option returned a net 2.3% for the year. In comparison, the Consumers Price Index increased by 0.7% over the year.

Returns from the Fund's Cash option are influenced by the Official Cash Rate (OCR) which is the base rate for overnight transactions set by the Reserve Bank. The Reserve Bank left the OCR unchanged at 2.5% over the Fund year. The 90-day bank bill rate for the period was 2.7%.

The Cash option also returned 2.3% for the previous year and its average annual net return has been 2.5% p.a. over the past three years.

Benchmark (or target) asset mix



Cash	100%
------	------

How the Fund performed

The Fund's before-tax returns compared with comparable KiwiSaver schemes

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

The following graph compares the performance of the Fund's Growth, Balanced and Conservative options against the equivalent median returns for corresponding investment funds in KiwiSaver schemes as measured by the Mercer KiwiSaver Survey. Performance is shown before tax and after fees.

All three options continue to hold more in international shares and fixed interest investments and less in New Zealand fixed interest and cash investments than the average KiwiSaver scheme. This has proved to be particularly beneficial over one and three years when returns from share markets have generally been strong.

Fund returns v. KiwiSaver median – periods ended 30 June 2013



Notes:
 >> Earnings are shown before deducting tax but after deducting fees.
 >> Past performance is not an indication of future performance.

Notes:
 >> Earnings are shown before deduction of tax and fees.
 >> Past performance is not an indication of future performance.

The Fund's performance benchmarks

	Market index used	What the index means
Trans-Tasman Shares	NZX 50 Gross Index	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 with net dividends reinvested 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 Listed Property Index	A capitalisation index designed to measure the performance of the property sector listed with the New Zealand Exchange Limited
International Listed Property	UBS Warburg Global Aggregate Index (100% Hedged) ¹	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%	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	ANZ NZ All Government Stock Index	Measures the performance of the New Zealand Government Bond market
International Fixed Interest	Barclays Capital Global Aggregated Index 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	ANZ 90-Day Bank Bill Index	Summarises the returns on NZ bank bills over the past 90 days

¹ Footnote?

Gross returns compared with market indices

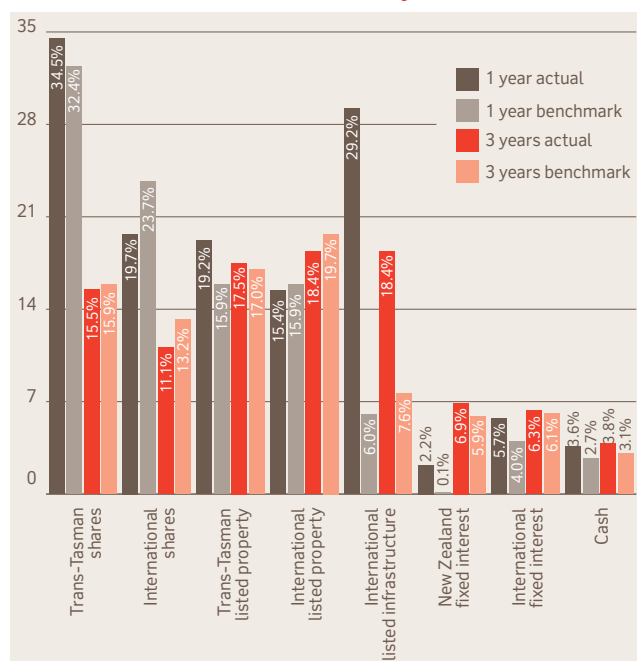
The following graph compares the gross returns (i.e. before deduction of tax and investment expenses) from the Fund's investments in each asset class with the returns from the selected market indices. (See the table below for the index that applies to each asset class.)

The graph shows that international shares underperformed the relevant index over both periods. The Mercer Overseas Shares Plus Fund (the investment fund in which the Fund's international shares are invested) has an allocation to emerging markets (which underperformed developed market shares during the year), while the MSCI World index is purely comprised of developed market shares. To improve future returns the Fund has recently been through some changes within the multi-manager structure. International listed property also underperformed its index because the Fund's listed property manager held a lower proportion of its assets in US shares than the index.

International listed infrastructure has performed extremely well. In part this is because the index is cash based. However, this asset class has also performed very well compared to its peers in the sector, reflecting strong stock selection by the manager.

The trustees continue to carefully monitor the Fund's returns and evaluate each manager's performance taking into account different investment styles and the characteristics of the market indices used.

Fund returns v. selected market indices – year ended 30 June 2013



Investment management

The trustees enlist the expertise of the Fund's investment consultant, Mercer, on investment matters including the investment objectives and strategy for the Fund's four investment options. The trustees have also appointed an independent investment adviser, Melville Jessup Weaver, to provide them with an independent second opinion on investment matters and to benchmark the performance of the Fund's investment consultant, from time to time on an as-needed basis.

Day-to-day decisions about investments in shares, property, infrastructure, fixed interest and cash are made by professional investment managers on the trustees' behalf. Managers have the authority to make these decisions through an agreed mandate that sets out how the relevant assets must be managed.

Investment managers are assessed and chosen based on a number of factors, including their approach to investing and their systems, staff and capability in adding value to their investment portfolios.



Billet ready to be lifted out of casting pit

Risk and return

All investments are subject to some level of risk. This means that there is a chance, even if it is a small one, that you could lose money because of investment performance in a given year.

Risk is the likelihood of fluctuations or 'volatility' in the level of investment earnings over a given period, including the likelihood of negative investment earnings. Generally, higher risk investments have a greater chance of fluctuations over the short term, but may offer the prospects of higher investment earnings over a longer period. Conversely, lower risk investments generally provide stable investment earnings over the short term, but over the long term may produce lower investment earnings which may not be sufficient to meet your retirement goals.

In order to minimise unnecessary risk, the trustees maintain a diverse portfolio of investments. By spreading the Fund's investments across a range of asset classes and by relying on multiple investment managers, the trustees aim to minimise the volatility of investment earnings.

Despite the trustees' best efforts to construct investment options that maximise investment earnings while minimising risk, risk cannot be eliminated. Every investment option carries with it some risk of a negative earning rate.

If you would like more information about the risks associated with superannuation investments, please refer to the Fund's investment statement, which is available from the 'Documents & forms' page on the Fund's website or by calling the Fund Member Helpline on 0508 266 787 (Australia – 03 8681 1849 international +61 3 8681 1849).

Who are the Fund's investment managers?

Mandate	Investment manager	Investment fund	Fund assets at 30 June 2013	
			(\$m)	%
Trans-Tasman shares	Harbour Asset Management Limited	Harbour Australasian Equities Fund	7.6	6.9
	ANZ New Zealand Investments Limited ¹	ANZ Wholesale Australasian Share Fund Trans-Tasman Equity	7.4	6.7
International shares	Mercer (N.Z.) Limited	Mercer Hedged Overseas Shares	16.8	15.2
		Mercer Overseas Shares Plus Unhedged	18.5	16.7
Trans-Tasman property	Mint Asset Management Limited	Mint Listed Property	3.4	3.1
International listed property	ING Clarion Real Estate Securities, LLC	ANZ Wholesale International Property Securities Fund	3.6	3.2
		Lazard Global Listed Infrastructure	3.6	3.2
Global listed infrastructure	Lazard Asset Management	BNZ Infrastructure Hedged Overlay	0.1	0.1
		AMP Capital Investors (New Zealand) Limited	AMP NZ Fixed Interest	9.6
International fixed interest	AMP Capital Investors (New Zealand) Limited	AMP International Bond Fund	14.3	12.9
Cash²	AMP Capital Investors (New Zealand) Limited	AMP Capital Cash Fund	25.9	23.4
TOTAL			110.8	100.0

¹ Formerly, OnePath (NZ) Limited.

² Includes \$0.9m in bank account.

Superannuation news

New legislation

The next step in the Government's efforts to tighten up the financial sector, the **Anti-Money Laundering and Countering Financing of Terrorism Act 2009** came into force on 30 June 2013. A full regulatory exemption from the Act has been made available to certain low-risk schemes such as the Fund, but this requires some Trust Deed amendments including:

- requiring all member contributions to be made through payroll;
- imposing a maximum member (or after-tax salary sacrifice) contribution rate of 20% of Salary or the rate (if greater) which applied as at 30 June 2013; and
- requiring all contributions to the Fund to be expressed as Salary percentages.

A further exemption has been sought in order to allow members of schemes such as the Fund to continue contributing while on unpaid leave of absence, at rates not exceeding those being made immediately before leave commenced.

The **Financial Markets Conduct Act** became law in September 2013. Key changes that will affect the Fund in due course include:

- requiring the investment statement to be replaced with a shorter product disclosure statement; and
- requiring the trustees to include one person who is a duly licensed independent trustee (with some additional obligations).

We will also be required to record Fund-related information on a public register.

Trans-Tasman portability

From 1 July 2013, new regulations have allowed individuals emigrating to Australia to transfer their Kiwisaver savings across the Tasman and into a qualifying Australian superannuation scheme which accepts such transfers. It is not possible, however, to transfer retirement savings (including locked in savings) direct from other New Zealand superannuation schemes into Australian schemes. This means that if you are making locked in contributions and wish to transfer your locked in account balances (**including** any member tax credits) to an Australian scheme, you will need first to transfer them from the Fund to a KiwiSaver scheme **before emigrating**.

Alternatively, if you permanently emigrate to Australia and have left a locked in balance in the Fund, one year after you emigrate you can apply to withdraw that balance (**excluding** any member tax credits – these will be repaid to Inland Revenue in that case).

The regulations also allow a benefit from a qualifying Australian scheme to be transferred into a KiwiSaver scheme following permanent emigration from Australia to New Zealand. Unfortunately there have been some teething problems with the process in Australia, leading to some delays. Inland Revenue is currently working with the Australian authorities to smooth the process.

Increase in compulsory contribution rates

The minimum rates of employee and employer contributions to KiwiSaver schemes (and of locked in contributions to complying superannuation funds) increased from 2% of salary to 3% of salary on 1 April 2013.

Fund news

Investment statement updated

Last year the Financial Markets Authority, the organisation that regulates New Zealand's financial markets, issued some guidelines on effective disclosure. The guidelines did not change the legal requirements for the Fund's investment statement. However, to comply with the guidelines we have updated the investment statement to improve its readability and expanded the descriptions of the investment options and the risks involved in investing in the Fund. Updated copies of the investment statement are available from Documents & forms on realsuper.superfacts.co.nz.

New mobile website

The Fund now has a mobile site allowing you to view from your smartphone information such as your account balances, an estimate of your benefits, transaction history, personal details, investments and contributions.

To access the new mobile site, simply enter into your smartphone browser. Alternatively you can scan the QR code below using the QR reader in your smartphone and it will take you directly to the website.

How to use a QR code

To use a QR code to access the website you will need to download a QR reader app on your smartphone (these are available free of charge from your app store) if you don't already have one installed. Once the app has downloaded you can simply hold the QR reader over the QR code shown here and it will take you directly to the Fund website on your smartphone. It's as easy as that. **So check it out.**



Fast track caller ID

The introduction of this technology allows you to enter your member number and access code into your telephone key pad before your call is answered. Your details will then be automatically available to the Helpline consultant when he or she answers your call, meaning a more personalised and efficient service while still protecting your privacy and personal information.

If you choose not to enter your details, your call will simply be responded to as before.

Fund management

As a member of the Fund, you can be confident that the operation 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 such as initial assessments of insured benefit applications, investigation of complaints and reviewing initial drafts of documents such as the Fund's accounts, annual reports and investment statements to a committee consisting of a smaller group of trustees. The committee reports back to the full trustee group (for that group to complete those reviews and make decisions as required).

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 prudently.

There are usually 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 (unless a position becomes vacant more than 12 months prior to the next scheduled election, as was the case last year).

Changes to the company-appointed trustees

During the Fund year there were several changes to the company-appointed trustees:

- Glenn Smith replaced Aaron Guthrie effective 20 August 2012
- Stewart Hamilton and Mark Kerrison replaced Ryan Cavanagh and Paula Checketts who resigned effective 30 April 2013.

As at 30 June 2013, the trustees of the Fund were: Company-appointed



Brian Cooper (Chair)

Chief Operating Officer

Pacific Aluminium



Stewart Hamilton

Acting General Manager

New Zealand Aluminium Smelters Limited



Mark Kerrison

Manager, Commercial Services

New Zealand Aluminium Smelters Limited



Glenn Smith

Vice President HR

Pacific Aluminium

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



Karen Sturman

Superintendent Operations Procurement

New Zealand Aluminium Smelters Limited

Changes to the trustees after 30 June 2013:



Gretta Stephens

General Manager

New Zealand Aluminium Smelters Limited

Appointed to fill the vacant position as a company-appointed trustee following Stewart Hamilton's resignation and took office from 2 September 2013.

Changes to the member-elected trustees

As noted in last year's annual report, Mike Rapson resigned as a member-elected Trustee in May 2012. Karen Sturman was elected effective 20 July 2012.

The term of the current member-elected trustees finishes on 31 October 2013. A call for nominations was issued in June 2013. As only four nominations were received and they were for the current member-elected trustees, they were re-elected unopposed.

Fund administration changes

During the year a number of changes were made affecting the Fund's administration.

Fund secretariat moved to New Zealand

Effective 25 November 2012, Philippa Kalasih of Mercer in Wellington was appointed as Fund Secretary in place of Amanda Oliver.

Independent investment adviser appointed

In early 2013 Melville Jessup Weaver was appointed as the Fund's independent investment adviser (a role previously carried out by the Rio Tinto superannuation fund administration team).

Membership and Benefits Committee

The Membership and Benefits Committee's terms of reference 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:

- Ken Bolger
- Mark Kerrison
- Allan Meikle
- Stewart Hamilton – Chair (replaced by Gretta Stephens from 2 September 2013)

A dedicated service team

The trustees are supported by a number of superannuation professionals who assist them with various specialist tasks:

Service	Adviser
Administration, accounting, actuarial, member education and superannuation and communication 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*	Pacific Aluminium

* Previously PricewaterhouseCoopers

Privacy Act

Your personal information may be held by and, when necessary, passed amongst the company, the trustees 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).



Blaine Morch is pictured in front of a reduction cell

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).

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

Philippa Kalasih
Fund Secretary
Rio Tinto New Zealand Retirement Fund
Mercer (N.Z.) Limited
PO Box 2897
Wellington 6140

Complaints procedure

Current legislation requires the trustees to be members of an approved disputes resolution scheme. The trustees have elected to register with an independent disputes resolution scheme operated by Financial Services Complaints Limited (FSCL) and approved by the Ministry of Consumer Affairs.

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 trustees have 40 working days to respond to your complaint. If you are not satisfied by the trustees' response or if your complaint has not been resolved after 40 working days, you may refer the matter to FSCL by emailing info@fscl.org.nz or calling FSCL on 0800 347 257.

Alternatively you may write to FSCL at:

Financial Services Complaints Limited
101 Lambton Quay
P O Box 5967, Lambton Quay
Wellington 6145

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

Trust Deed amendments

No amendments have been made to the Trust Deed since the date of the last annual report.

However, an amendment to the Trust Deed is currently being finalised to make various changes in light of the new anti-money laundering legislation (see page 9 for details).

Statement of Investment Policy and Objectives

A copy of the trustees' Statement of Investment Policy and Objectives (SIPO) for the Fund is available free of charge by calling the Helpline **0508 266 787** (Australia – 03 8681 1849 international +61 3 8681 1849).

Benefit entitlements

Enclosed with this report is a Membership Statement showing your personal benefit entitlements as at 30 June 2013. 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** (Australia – 03 8681 1849 international +61 3 8681 1849). You can also obtain an estimate of your benefits from the Fund website realsuper.superfacts.co.nz.

Nominating beneficiaries

A death benefit is payable if you die while you are a Fund member. At the trustees' discretion this may be paid to any nominated beneficiary, to your estate or to any person you are obliged to support (or to any two or more of these persons in such shares as we determine). 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 beneficiary 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 ensure that you 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 apply to 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 Insurance Cover' form 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 realsuper.superfacts.co.nz or by calling the Fund Member Helpline **0508 266 787** (Australia – 03 8681 1849 international +61 3 8681 1849).

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. The trustees 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 2012	795
Plus: New entrants	6
Less: Leaving service withdrawals	89
Transfers to retirement account	14
	103
Total active members as at 30 June 2013	698
Retirement account members	
Retirement account members as at 1 July 2012	42
Plus: Transfers from active membership	14
Less: Full withdrawals	6
	6
Total retirement account members as at 30 June 2013	50
Total membership as at 30 June 2013	748

Declared monthly earning rates

Every month between July and May, the trustees determine a monthly earning rate for each investment option, based on the Fund's investment returns less estimated allowances 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 2012.

Period	Cash		Conservative		Balanced		Growth	
	Monthly rate	Cumulative year-to-date rate	Monthly rate	Cumulative year-to-date rate	Monthly rate	Cumulative year-to-date rate	Monthly rate	Cumulative year-to-date rate
2012								
July	0.2%	0.2%	1.0%	1.0%	1.6%	1.6%	2.2%	2.2%
August	0.2%	0.4%	0.9%	1.9%	1.4%	3.1%	2.0%	4.3%
September	0.2%	0.6%	0.9%	2.9%	1.5%	4.6%	1.9%	6.3%
October	0.2%	0.8%	0.5%	3.3%	0.6%	5.3%	0.8%	7.1%
November	0.2%	1.0%	0.7%	4.0%	1.0%	6.3%	1.3%	8.4%
December	0.2%	1.2%	0.9%	4.9%	1.4%	7.8%	2.1%	10.7%
2013								
January	0.2%	1.4%	1.2%	6.2%	2.3%	10.4%	3.7%	14.8%
February	0.2%	1.5%	0.4%	6.6%	0.6%	11.1%	0.8%	15.7%
March	0.2%	1.7%	0.7%	7.4%	0.9%	12.0%	1.1%	17.0%
April	0.2%	1.9%	1.4%	8.9%	2.1%	14.4%	2.7%	20.2%
May	0.2%	2.1%	0.5%	9.4%	1.1%	15.6%	1.6%	22.1%
June	0.2%	2.3%	-1.1%	8.3%	-1.8%	13.5%	-2.5%	19.1%

NB: Past performance is not a guide to future performance.

Interim earning rate

When you leave the Fund, for each applicable investment option an interim earning rate will be allocated to your accounts for the period from the start of the month for which a monthly earning rate has yet to be declared to the date you become entitled to your benefit (or, in the case of retirement account holders, to the date your benefit is otherwise payable).

The interim earning rate will be 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 (MST) Cash Fund
Conservative	MST Conservative Fund
Balanced	MST Balanced Fund
Growth	MST High Growth Fund

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

Late payment earning policy

If you leave service and do not elect (if permitted) to leave your benefit in the Fund, earnings for the period from the day after you left service until the date when your benefit is actually paid (or, in the case of a locked-in account balance, transferred to a KiwiSaver scheme) will be applied to your balance based on the after-tax rate of interest earned by the Fund's bank account for the month last ending before the date of payment. This is to ensure that any delays in processing benefit payments or transfers, for whatever reason, do not result in benefits being eroded by adverse movements in the Fund's investment options or proxy fund returns.

Regardless of the reason for terminating employment (including death or disablement) the following earnings will be applied to a member's accounts (for each applicable investment option) when processing his or her payment or transfer from the Fund:

- **Up until the date of termination**
 - i. The declared monthly earning rate for the latest month for which this is known as at the date of payment; and
 - ii. The interim earning rate for the period from the end of the month referred to in (i) up to the date of termination.
- **From the day following the date of termination to the date of payment**
 - i. Earnings equivalent to the Fund's bank account earning rate (net of tax) for the month last ending prior to the date of payment.

Note: the late payment earning policy does not apply if you elect to leave your benefit in the Fund and become a retirement account holder. In this case, earnings based on your chosen investment option(s) will continue to apply.

If you elect to switch investment options, the amount switched will be calculated based on the monthly earning rate(s) then applying to your current investment choice(s). The new investment option(s) you choose will take effect from the first of the month following the date your completed 'Application to Change Investment Option(s)' form is received by the Fund's Administration Manager or your online switch is submitted.



Bundles of ingot in metal yard

If the trustees declare 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. A reduction will also be made to your accounts if an interim earning rate for the final period before a benefit becomes payable is negative.

The trustees reserve the right to alter the 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 falls 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 statements

	2013	2012
Statement of Changes in Net Assets	\$	\$
Investment Activities		
Net Investment Income	12,808,950	547,046
Other Income	272,965	139,550
Net Income	13,081,915	686,596
Less		
Other Expenses		
Group Life Premiums	55,930	51,161
Other Expenses	104,183	104,423
Total Other Expenses	160,113	155,584
Change in net assets before Taxation and Membership Activities	12,921,802	531,012
Income Tax Expense	1,053,628	1,175,807
Change in Net Assets After Taxation and before Membership Activities	11,868,174	(644,795)
Membership Activities		
Member Contributions	2,413,695	2,638,742
Member Tax Credits	128,443	239,602
Employer Contributions	4,735,434	5,174,879
Transfers in from Other Schemes	18,277	14,183
Less		
Benefits Paid	12,445,002	7,616,348
Net Membership Activities	(5,149,153)	451,058
Net Increase in Net Assets during the year	6,719,021	(193,737)

Statement of Net Assets		
Assets		
Cash at Bank	880,058	2,061,623
Income Tax Receivable	16,618	98,766
Investments at Fair Value through Profit & Loss	109,966,075	101,796,606
Distributions Receivable	–	191,594
Sunday Debtors	4,021	–
Prepayments	16,064	14,511
Total Assets	110,882,836	104,163,100
Less		
Current Liabilities		
Sundry Creditors	30,408	29,693
Total Liabilities	30,408	29,693
Net Assets available for Benefits	110,852,428	104,133,407
Vested Benefits*	107,118,872	100,593,593

Statement of Cash Flows		
Net Cash Flows from Operating Activities	(4,884,640)	670,895
Net Cash Flows used in Investing Activities	3,703,075	(1,097,286)
Net (Decrease)/Increase in Cash Held	(1,181,565)	(426,391)
Cash at Beginning of Year	2,061,623	2,488,014
Cash at End of Year	880,058	2,061,623

Notes to the summary financial statements

An abridged version of the Fund's audited financial statements for the year ended 30 June 2013 which were authorised for issue on 14 October 2013 is shown to the left. The summary financial statements have been extracted from the full audited financial statements dated 14 October 2013. 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 comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). The trustees have 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 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-oriented entity.

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

* 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.



Independent auditor's report on the summary financial statements

To the members of Rio Tinto New Zealand Retirement Fund

The accompanying summary financial statements on page 15, which comprise the summary statement of net assets as at 30 June 2013 and the summary statements of changes in net assets and cash flows for the year then ended and notes, are derived from the audited financial statements of Rio Tinto New Zealand Retirement Fund ("the superannuation scheme") for the year ended 30 June 2013.

We expressed an unmodified audit opinion on those financial statements in our report dated 14 October 2013. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our 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 Rio Tinto New Zealand Retirement Fund.

Trustees' 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 superannuation scheme.

Opinion

In our opinion, the summary financial statements have been correctly extracted from the audited financial statements of Rio Tinto New Zealand Retirement Fund for the year ended 30 June 2013, and the information reported in the summary financial statements is consistent, in all material respects, with the audited financial statements, in accordance with FRS-43 *Summary Financial Statements*.

A handwritten signature of the KPMG auditor, written in blue ink.

14 October 2013

Wellington

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 2013 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 2013;
- iv. state that during the year ended 30 June 2013 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 Mercer (N.Z.) Limited, ANZ New Zealand Investments Limited (formerly OnePath (NZ) Limited), and AMP Capital Investors (New Zealand) Limited, who manage certain of the Fund's investments. The relevant underlying funds were:
 - Mercer Super Investment Trust
 - ANZ Wholesale Australasian Share Fund and ANZ Wholesale International Property Securities 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 2013;
- 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 2013;
- vii. state 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 2013 was \$5,713,525 relating to 292 members; and
- viii. state that the value of withdrawals made from locked-in accounts during the year ended 30 June 2013 was \$637,373.

Signed for and on behalf of the Trustees:



Trustee



Trustee

