



NZASRF NEWSLETTER – JULY 2017

Welcome to the July 2017 Fund newsletter. This issue includes information on the Fund’s latest investment returns, and a brief look at some current investment market influences. We also welcome a reduction in the Fund’s death, disablement and ill-health benefit insurance premiums.

For general interest, we outline who you can nominate as a beneficiary should you die while you are a member of the Fund, and discuss the benefits of enduring powers of attorney.

MARKETS REMAINING FOCUSED

The international events that have dominated both the general news sections and the financial pages over the past six months continue to make headlines. Donald Trump’s presidency is still garnering plenty of attention, as are Brexit, domestic European elections and North Korea.

However, despite these apparently negative political developments, investment markets seem to be looking past the ‘noise’ and staying focused on economic and corporate matters. Certainly, they recovered very quickly from the initial disquiet caused by Trump’s election and the Brexit vote. The important point is that both local and global economies continue performing well and it appears it will take more than political shenanigans to throw investment markets too far off their stride.

As the following table shows, the Fund’s investment options have continued to produce sound returns. Looking forward, market commentators are cautiously hopeful that the growth in economic optimism and solid corporate earnings will continue. However, core inflation across the globe remains low, delaying expectations of further interest rate normalisation. In addition, the recent withdrawal of the US from the Paris Climate Accord (which seeks to reduce carbon emissions and slow the effects of climate change) has brought criticism from European nations and threatens to further weaken political and economic alliances with the US.

INVESTMENT OPTION RETURNS TO 31 MAY 2017

The table below shows the returns (after tax and investment-related expenses) for each investment option for the period 1 July 2016 to 31 May 2017, for the 12 months ended 31 May 2017 and as annual averages over the three, five and 10 years to the end of May.

	Growth	Balanced	Conservative	Cash
Fund year-to-date (11 months)*	13.9%	9.5%	5.4%	1.5%
1 year	11.8%	8.6%	5.4%	1.6%
3 years (p.a.)	10.3%	7.9%	5.7%	2.2%
5 years (p.a.)	13.3%	9.8%	6.6%	2.2%
10 years (p.a.)	4.9%	5.0%	4.8 %	2.9%

*Returns for the Fund year-to-date are based on unaudited data.

INSURANCE REVIEW AND PREMIUM REDUCTION

Insurance review

A formal review of the Insurance Account, and of the premium rates charged to members, is undertaken every three years. Following the 30 June 2016 review the Trustee, NZAS Retirement Fund Trustee Limited, found that there was scope to reduce premium rates.

The Trustee also considered the appointment of an external insurer, but found that while the death and total disablement benefits could be externally insured, insurance companies were not willing to cover the ill health benefits provided under the Fund. The Trustee noted that on average, as a result of the reductions members will pay premiums approximately 5% lower than would be payable if AIA (the most competitive external insurer) were to provide death and disablement cover, and ill-health cover were to continue being provided within the Fund.

As a result of the review the Trustee has decided:

- to continue insuring all death, total disablement and ill-health benefits within the Fund; and
- to reduce the Fund's premium rates effective 1 July 2017.

Premium reduction

Premiums payable for the Fund's death and disablement benefits have decreased by 10% across the board from 1 July. This is principally because of the reduction in the number of ill-health, disablement and death benefit claims by or in respect of Fund members over the past 10 years. This reflects the greater emphasis these days on workplace safety and a healthier approach to life and living.

While the decrease in premiums is welcome, the Trustee cannot rule out premiums being raised sometime in the future, particularly if there is an increase in claims.

If you are a subsidised member with death, disablement and ill-health cover, premiums are deducted from your company account each month. These vary depending on your chosen level of cover (basic, medium or top) and increase with age. The new standard insurance charges are available in the Fund's *Other Material Information* document, which is available on the *Disclose* website at www.companiesoffice.govt.nz/disclose (go to 'Search offers', enter 'NZAS' and then go to the 'Documents' tab) or on www.realsuper.superfacts.co.nz (under the Product Disclosure Statement heading at *Documents & forms*).

Why is basic insurance cover compulsory?

Insurance cover is a standard offering for subsidised members of the Fund, and a condition of membership. This cover is set out in the Fund's Trust Deed and Product Disclosure Statement and is funded on a group basis.

Following the review, the Trustee also considered allowing members to opt out of the compulsory insurance cover from age 60. The Trustee believes that allowing members to opt out of insurance cover before age 65 could negatively impact on the operation of the insurance cover provided under the Fund. Healthy members would be more likely to opt out of insurance cover, which would mean that the insurance premiums for remaining members might need to increase, as the Fund's claims experience might deteriorate (increasing the per member cost of insurance).

Fund administration costs payable by the employers would also likely rise due to the increased administration required to process insurance opt-outs.

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 all or any of your nominated beneficiaries, your estate or any person or persons you are obliged to support.

However, the Trustee wishes to point out that you cannot elect a family trust or its trustees as a nominated beneficiary.

If you want your death benefit paid to a family trust, then if the trust is a beneficiary under your will, you can nominate your personal representatives (i.e. the executors of your will) as nominated beneficiaries. The executors must then distribute your estate in accordance with your will, including to your family trust to the extent required by the will.

You can update your nomination by logging onto www.realsuper.superfacts.co.nz, going to the *Beneficiaries* page and downloading the form *NZAS5 Change of beneficiary*, or by calling the Helpline on 0508 266 787 (Australia 03 8631 1849, international +61 3 8681 1849).

THE BENEFITS OF AN ENDURING POWER OF ATTORNEY

Life can be uncertain and anyone at any age can have an accident or suffer a serious illness that means they are unable to make decisions for themselves. Suddenly, someone needs to make sure your mortgage and other bills are paid, that your spouse and children are being looked after and that you are being properly cared for.

A power of attorney is a document appointing someone to make decisions on your behalf or to sign documents for you. The most common is the enduring power of attorney (EPA), which allows the person(s) you have named to continue acting on your behalf if you can no longer make decisions for yourself. While many people assume EPAs are only for older people, usually anyone over the age of 18 may sign an EPA.

There are two types of EPA. Those for property relate to everything that you own, including bank accounts and investments. Those for personal care and welfare are concerned with questions such as where you are to live and ensuring you and your dependants are being properly cared for.

The New Zealand Law Society has a useful plain language EPA guide, which explains the effects and implications of entering into an EPA: www.lawsociety.org.nz/news-and-communications/guides-to-the-law/powers-of-attorney

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