

We'll work together, so you
don't have to work forever

Westpac New Zealand
Staff Superannuation Scheme

2013 Annual Report



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A message from the Chairman

Welcome to the 2013 annual report for the Scheme.

It was another busy (and successful) year for the Scheme, with a number of key achievements seeing us finishing the year on a high.

After a tough 2012, the year to 30 June 2013 proved to be a more successful one for financial markets, much to the delight of investors. Markets moved steadily upwards for a significant chunk of the year, thanks to a number of key political and economic events.

Central to this was the generous monetary easing policies implemented by central banks in Europe, the US and Asia in particular, in an attempt to boost growth in their respective economies. Of course there was still the occasional setback (more recently US Federal Reserve Chairman Ben Bernanke's announcement of a 'tapering' of its asset purchasing programme). On the whole, though, there was enough momentum to push through such setbacks, and we saw some very pleasing returns delivered by year end.

As you'll see in the table below, our Scheme's investment funds' returns reflected this strong upturn in the markets.

The Scheme – 12 months to 30 June 2013 (net of tax and investment manager fees)

High Growth Fund	22.8%
Growth Fund	16.1%
Moderate Balanced Fund	11.6%
Defensive Fund	5.3%
Cash Fund	1.4%*
Defined Benefit	16.8%

* Return for the Cash Fund is for the period from 1 December 2012 (commencement date) to 30 June 2013.

While the markets were grabbing the headlines globally, the Scheme was also busy making a few waves of its own.

The Scheme is constantly evolving and growing to remain competitive, fresh and relevant in a rapidly changing environment, particularly as retirement savings become an increasingly important cog in New Zealand society.

In fact, the industry has been in the spotlight quite a lot lately, as we start to recognise just how important our savings are in relation to a quality retirement. After all, when we work hard all our lives, we deserve a comfortable and enjoyable retirement. The reality is that for many of us, NZ Super alone won't be enough to achieve this. Instead, Kiwis are looking to retirement savings vehicles to safeguard their retirement, namely employer-sponsored schemes (such as our Scheme), KiwiSaver schemes, or a combination of the two (such as the In-Tandem Combo option).

As the country works to become retirement ready, regulatory pressures around money laundering and transparency of

disclosure have been making headlines, and the quality of retirement savings products has been gaining more and more attention. We've embraced this. I'm pleased to report that during the year we successfully navigated anti-money laundering and terrorism financing legislation.

We're also looking at the way we communicate with you, in order to ensure you remain well-informed about the Scheme. We believe this is a great step towards ensuring the Scheme is transparent and open about its progress.

Finally, we've made a number of product enhancements which we feel are real 'value-adds'. First, we expanded our investment offerings, introducing a 100% Cash Fund in December last year. Secondly, in April this year we launched our very own mobile website to improve access to the Scheme's information services, no matter where you are. You'll find more information about all these changes in the 'Scheme news' section on page 2.

While we've made a number of great enhancements over the year, we believe the key to our success is the solid foundations and underlying values that we've been able to build on.

Westpac has always subscribed to the motto 'we'll work together so you don't have to work forever'. If we each do our part, we can take some great steps towards your retirement readiness.

By making contributions to the Scheme (or KiwiSaver), Westpac will in turn make generous employer contributions on your behalf, depending on your category of membership, and pay all direct fees. Insurance premiums are currently paid from the Scheme's surplus at no direct cost to you. Don't forget you also have the option to meet with a Westpac financial adviser for a confidential and obligation-free consultation. On page 6 you'll find a one-on-one chat we had with one of Westpac's Financial Advisers, Karl Mabbutt.

When I look at the Scheme I see something we can all be proud of and which has a lot to offer. But it wouldn't be here today without a huge team of key supporters and advocates.

First, I'd like to thank all our members for their support over the years. Secondly, I'd also like to thank Westpac for its ongoing commitment and generous support, as well as our team of trusted professionals who advise and support us. Finally, I'd like to thank my fellow Trustees for their hard work and dedication. Each of these individuals is a true testament to the great work we're doing together towards a common goal: your financially secure retirement.



Bruce Kerr
Chairman

Scheme news

What's been happening lately?

It was another eventful year for the Scheme, with a raft of developments keeping us busy.

Our new Cash Fund is up and running!

You may be aware that from 1 December 2012, we introduced a new Cash Fund, which is available to all members with investment choice.

The fund, which invests 100% in cash, was introduced primarily to cater to those members looking to invest in a lower-risk, lower-return fund.

For example, it would suit those individuals who are looking to withdraw their funds in the near future, and therefore wouldn't want to risk losing any money due to poor returns which they wouldn't then have time to recover.

See page 11 for more information about the Cash Fund.

We successfully worked our way through anti-money laundering legislation!

As we mentioned in last year's annual report, new anti-money laundering and countering financing of terrorism laws came into force from 30 June 2013. The new legislation introduces a raft of identification requirements aiming to detect and deter money launderers and financiers of terrorism. These affect retirement savings schemes like our Scheme.

We're pleased to announce that, because the Scheme is an employer-sponsored scheme and therefore the risk of money laundering or terrorism financing is minimal, we have been granted an exemption from the majority of the requirements set out in this legislation. This means significant and ongoing cost savings, as well as less hassle and complications for members.

However, there will still be some accommodations we need to make. We will advise you of these once fully confirmed.

Tell us what you think of the Scheme!

Soon you will be receiving the first in a series of short surveys from the Chairman, Bruce Kerr, asking for your thoughts and opinions of the Scheme.

We value your feedback!

This first survey looks at the way in which we communicate with you. Once we've analysed the results, we can consider how to adapt and enhance Scheme communications to best suit your needs, based on what you've told us. Please make sure you complete the survey – what you tell us helps us develop the Scheme in a way that best suits you.

If you complete the survey you go in the draw to win a \$100 Prezzy Card!

To say 'thank you', everyone who completes the survey goes in the draw to win a \$100 Prezzy Card. All you need to do is make sure you tell us your name and member number (this is the same as your salary number, without the M or F) once you get to the end of the survey. The survey will be conducted by Mercer, an external party and the Scheme's administrator. No attempt will be made to individually match your responses to your name.

We've gone mobile!

Now it's even easier for you to view important account information anywhere, with the Scheme's new mobile website, which we launched back in April.

The mobile-optimised site allows you to see your account balance, transaction history, personal details, investments and contributions in a smartphone-friendly format. You can also update your PIN and, if you have any questions, call our friendly Helpline staff at the touch of a button.

If you haven't already, make sure you check it out. Simply enter **www.westpacintandem.co.nz** into your smartphone browser or scan the QR code opposite using your smartphone's QR reader.

Happy browsing!



Not sure how to use a QR code?

Quick Response codes ('QR' codes) are a simple way to show information that can be easily scanned and processed. Put simply, they're a bit like bar codes, but for smartphones.

If you have a smartphone, all you need to do is download a QR Reader application (if you don't have one already) from your smartphone's app store. These are available free of charge. Now, open the app and use it to take a picture of the code. It will decode and take the action specified — in this case, taking you to the Scheme's mobile site.



Our members

Stephen Calder tells us how his retirement is shaping up.

For Stephen Calder and his wife, Helen, retirement is a full-time job. But for this Wellington-based couple, it's their dream job.

Stephen, a former Personal Manager at the Kilbirnie branch, retired early from Westpac this year to take on a completely different role in retirement: childcare! "My wife and I talked about helping to look after two of the little ones while my son and his wife went back to work, and decided: why not have the exposure to our grandkids now, when we have the means to, and when we can enjoy it?"

It's a role they relish. Being able to retire while they are both still young (they are both 62) has meant they have been able to spend quality time with their four grandchildren, their family and each other, while they are still active.

Stephen says it's something they wouldn't have been able to do without the help of the Scheme. He's been a member for 16 years and in that time his savings have been steadily growing.

"I joined the Scheme as soon as I could, because it's a simple and painless way of saving and I also wanted to take advantage of Westpac's generous employer contribution."

When they're not spending time with their family, there's a good chance you'll find them relaxing at their second homes in Taupo or Rarotonga, which they've had more flexibility to do since retirement. "I love the freedom that comes with retirement. Instead of going to Taupo on a Friday and rushing home on a Sunday night for work on Monday, we leave whenever we want.

"We're also planning to spend more time at our house in Rarotonga, which is where Helen is from. There are crops of bananas, passionfruit, mangos and cherry tomatoes just waiting for me, as well as lots of work developing our garden."

The rest of their time is filled catching up with mates, getting to all the books and hobbies they've never had time to start, and odds and ends around the house.

It sounds like the kind of retirement many of us dream of – spending days with family and friends, flitting between homes in New Zealand and abroad, pottering around the home and being able to do it all at a young age.

But it hasn't been something that's happened overnight. Stephen has always been a saver: he joined his first superannuation scheme at the age of 22 and has been putting money aside ever since.

"From a family point of view, I needed to save for the future. It helps to put a little bit aside whenever you can, and when your employer is contributing as well, it's easy money."

Stephen says that the key benefits of the Scheme are the peace of mind and security it has given him.

"The Scheme has been the backbone of my confidence in being able to retire in comfort. Life would be a lot different without it."



Stephen with his family at his grandson Mitchell's 1st birthday

From left: Mitchell's sister Neve (2 years), their mother Laura, Mitchell (1 year) with the proud grandparents, Stephen and Helen.

Your Trustees

The faces behind the Scheme's management.

At 30 June 2013, the Trustees of the Scheme were:



Bruce Kerr

(Independent Chairman of Trustees)

Executive Director,
Workplace Savings NZ
– the voice of workplace super



Ian Blair

General Manager Retail Bank

Changes among the Trustees

We'd like to welcome our two newest Trustees, who were appointed during the year:

Ian Blair, appointed 26 November 2012

Ian Blair, General Manager Retail Bank, leads the Retail team at Westpac New Zealand. Ian joined Westpac New Zealand in December 2007 as General Manager Business Banking before being appointed General Manager Retail Bank in November 2012. Prior to joining Westpac in New Zealand, Ian held the position of General Manager, Commercial Banking, Australia with over 1,000 staff and \$1bn revenue per annum.

Su Duffey, appointed 26 November 2012

Su is General Manager, Human Resources at Westpac New Zealand and a member of the Executive Team. Su first joined Westpac New Zealand in March 2008 as Head of Retail Distribution Strategy and Customer Experience. She transferred to Sydney to lead the development of Westpac Group's HR strategy in August 2010 and returned to New Zealand in November 2012. Her career has spanned human resources, strategy and marketing roles in a number of industries including banking, telecommunications and electricity.



Su Duffey

General Manager,
Human Resources



Ian New

Chief Actuary

We'd also like to congratulate Marc Proctor who was re-elected as one of the Scheme's member-elected Trustees for another three-year period from 15 February 2013. A big thank you also goes out to all the other candidates who took the time to stand for election and all members who voted.

Trustee resignations

David Watts and Gai McGrath resigned as Trustees during the year. We'd like to thank them for their hard work and dedication to the smooth running and success of the Scheme during their time as Trustees, and wish them the very best for the future.



Marc Proctor

Northern Region Area Manager,
Investment Advisory Service



Richard Trounson

Director, Private Wealth &
Insurance

Financial advice



Karl Mabbutt, Westpac Senior Financial Adviser, talks about how financial advice can help you.

What does an average day involve for you, as a Financial Adviser?

I would usually hold around two client appointments a day. These could be reviewing an existing client's position or working with a potential new client. The balance of my day is utilised recording these meetings, developing and formulating financial plans, general administration and staying in touch with financial news from around the world.

What is the most satisfying part of your job?

I am a real people person so the highlight of any day for me is to be interacting with clients, both existing and new. Really drilling down and understanding what they want and need and then being able to help them plan and take the necessary action to achieve it is really special to me.

How can you help members of the Scheme?

There are many ways in which a Financial Adviser may be able to help. It is essential to clarify goals, but we can also help with understanding risk and the types of investment that members would be comfortable with, ensuring that they protect their important assets, provide guidance and structure when calculating savings levels and help them plan to transition their assets, should the worst happen.

Why do you think it is important for members to get financial advice?

Getting ahead in life is often about having vision, planning, and taking action. Once you have taken action it is also imperative that you review your plan regularly in order to react to any changes that may occur.

“A good Financial Adviser can help in all of these areas, helping individuals to identify and develop their goals, agree and prepare a plan, encourage and motivate them to take action and holding regular reviews.”

What members would you especially recommend speak to a Financial Adviser?

Members who are considering joining the scheme or those who have the potential to leave it, be it due to an employment change or a pending retirement, would benefit most from speaking to a financial adviser.

If you could give any one piece of advice to members, what would it be?

Take advice, have a plan, take action and review regularly.



Call **0800 601 901** to be put in touch with your nearest Westpac Financial Adviser or visit <https://www.westpac.co.nz/investment-kiwisaver/contact-a-westpac-financial-adviser>

Scheme investments

Investment markets show a welcome improvement.

After finishing the 2012 year on a disappointing note, financial markets started the Scheme year strongly, reflecting moves by central banks in Europe and the US to boost growth in their respective economies.

To the delight of investors, markets continued to rally into the new calendar year thanks to a number of positive political events globally, although performance was patchy in regions. In the US, the conclusion of the Presidential election and the expected, albeit late, partial resolution of the 'fiscal cliff' (the simultaneous expiry of tax breaks and introduction of tax increases and spending cuts) brought some certainty to the markets. Meanwhile, European Central Bank President Mario Draghi's comments that growth would return to Europe "later in 2013" further encouraged markets. The big news, however, was Japan's bold asset-purchasing measures introduced by newly inducted Prime Minister Shinzō Abe, which had

markets reacting buoyantly. Coupled with renewed signs of growth in the US and China, markets had enough momentum to push through events in Europe which had briefly slowed markets. 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 caused momentary jitters in share markets.

The final quarter of the Scheme year saw markets initially continue as they had started, as central banks around the world continued to hold interest rates at record lows. However, it only took a few words from US Federal Reserve Chairman Ben Bernanke for market buoyancy to subside. 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.

International shares

International shares shook off the disappointments of the previous year to post impressive returns for 2013, benefitting from numerous monetary stimulus packages issued by central banks around the globe, notably in Europe, the US, China and Japan. This, coupled with renewed expectations that global recovery will continue, particularly in Europe and the US, spurred markets on to heights not reached since the global financial crisis.

International bonds

International bonds posted solid returns for the majority of the year. Despite the overall positive global economic outlook, the sector benefitted from the occasional blip in the global economy, such as fiscal cliff concerns and the Cyprus bailout conditions. These sent investors scurrying to less risky sovereign bond investments in perceived 'safe haven' nations such as the US, Germany and Australia.

Australasian shares

Australasian shares had a stellar year for the 12 months to 30 June 2013, with both New Zealand and Australian markets providing strong performances. New Zealand shares, which offer higher dividends than most other shares, tend to do well in a low interest rate environment such as we are currently experiencing. Events such as the Christchurch rebuild also supported the wider market, particularly through job growth. Australian shares also provided some strong returns, although these were offset by Chinese growth woes, with concerns about Australia's largest trading partner subduing the market somewhat.

New Zealand bonds

New Zealand bond returns were flat for the year as the improving economic outlook saw prices fall (interest rates rise), making the sector an unattractive option to investors. Against this steadily improving economic backdrop, many looked to instead invest in riskier, but better performing assets like shares.

Cash

Cash posted another modest return as the Reserve Bank kept its official cash rate at 2.5% throughout the year.

What is a bond?

This is a debt security issued by a company or government for a defined period of time at a fixed interest rate. Bonds are used by companies and governments to finance a variety of projects and activities.

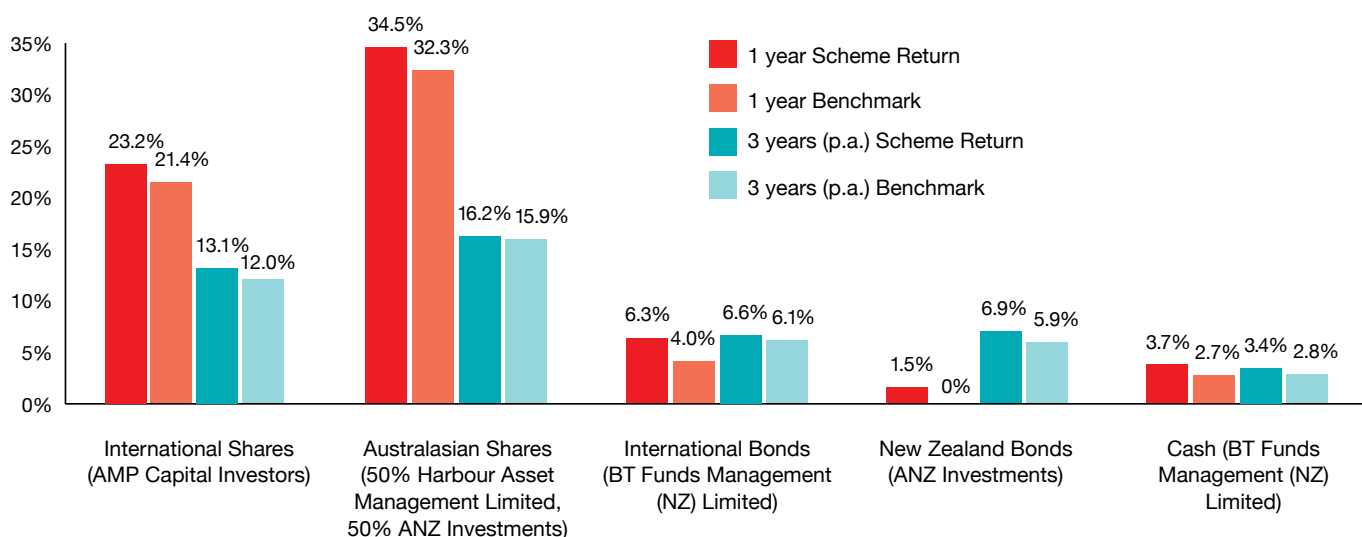
Scheme performance reflects this improvement.

Share markets delighted investors this year, and the Scheme's returns reflected this, with international and Australasian shares both posting double-digit one and three-year returns. All sectors were once again back in positive territory for the one and three-year returns.

The returns shown below are before the deduction of tax and investing expenses.

What is a benchmark?

This is the return that could have been earned by investing in an index (a sample of assets used to track changes in the market over time). For example, the index used as a benchmark for Australasian shares is the NZX 50.



So how did we go against the benchmarks?

All sectors outperformed their benchmarks for the one and three years to 30 June 2013. The Scheme's one-year returns stack up especially well against their benchmarks.

The international and Australasian shares sectors' one-year returns, which were the two sole underperformers last year, were the best performers, exceeding their objectives by 1.8% and 2.2% respectively.

Why were our one-year returns so strong?

International shares

(AMP Capital Investors)



This sector bounced back after its underperformance last year, benefitting from decisions made by underlying managers to invest more in the information technology and health care industries, which both had good years. Good stock selection in the health care industry also contributed to the sector's strong performance. At a country level, decisions made by underlying managers to invest in US stocks was a key contributor, as the country enjoyed a period of strong growth. However, its heavier investments in emerging markets detracted from performance somewhat, as emerging markets underperformed against developed markets amid concerns about economic growth, particularly in China.

Australasian shares

(50% Harbour Asset Management, 50% ANZ Investments*)



In direct contrast to last year, Harbour was the key contributor to this year's outperformance. Harbour's tendency to invest in more 'cyclical' stocks rather than 'defensive' stocks worked against it in the 18 months to August 2012, as the market had favoured defensive stocks against cyclical stocks. Since then however, there has been a swing back towards growth, and as a result cyclical stocks came back into favour. Because of this, and the manager's stock selection decisions, Harbour's performance relative to benchmark has been very strong.

International and New Zealand bonds

(BT Funds Management & ANZ Investments*)



While interest rates have generally been flat or declining over recent years, late in the Scheme year speculation that the US Federal Reserve would ease its bond buying programme, as the US economy recovers, prompted a fall in bond prices. The Scheme's local and offshore fund managers were generally able to navigate this, while an overall positive economic environment for credit meant that exposure to corporate securities (with their higher yields) bolstered returns.

Cash

(BT Funds Management)



Relatively high returns available from term deposits in the local market, compared to short-term bank bills, assisted in the outperformance of the Cash Fund.

The Trustees are pleased to be able to report such good results. Alongside Mercer, the Scheme's investment advisor, we continue to keep a close eye on the performance of investment managers, to ensure they fully contribute to the overall investment performance of the funds.

What is the difference between cyclical and defensive stocks?

Cyclical stocks typically relate to companies that sell 'non-essential' items that consumers can afford to buy during a booming economy, but cut back on in a recession. In this way, these stocks are affected by ups and downs, or cycles, in the economy.

Defensive stocks, on the other hand, relate to goods and services we can't live without – power and water, for example. These stocks are 'defended' from slumps in the economy to a certain extent, but don't produce quite such spectacular returns during booms in the economy.

* Effective 20 September 2013, OnePath (NZ) Limited changed its name to ANZ New Zealand Investments Limited.

A closer look at the Scheme's investment funds.

Your savings in the Scheme are intended for your retirement and it's important you look at returns in relation to the longer-term targets set for each fund. Below, you will find the make-up of each investment fund, its long-term objectives and its performance-compared goals. When looking at this, keep in mind that investment markets have been affected by some major downturns recently – for example, the 2007 sub-prime housing crisis, the 2008 global financial crisis and the 2011/2012 European sovereign debt crisis.

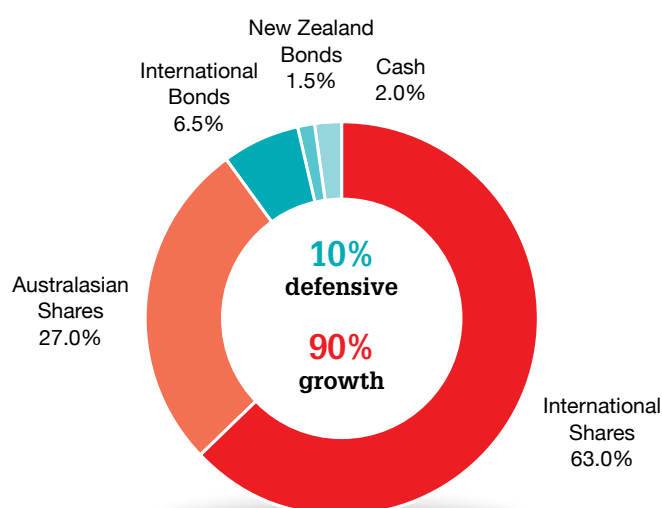
Make sure you check out the Scheme's website and the Investment Statement – you'll find a wealth of information to help you better understand your investments.

High Growth Fund

Likely to be suitable for **long-term investments**.
Can generally be expected to achieve higher long-term returns compared with other funds, but also has the greatest risk of a negative return in the shorter term.

Performance to 30 June 2013

Return objective above increase in inflation (cpi)	4%
Period measured over ¹	10 years
Target return	8.1%
Actual return (after tax & investment expenses)	7.8% p.a. (over 15 year period)



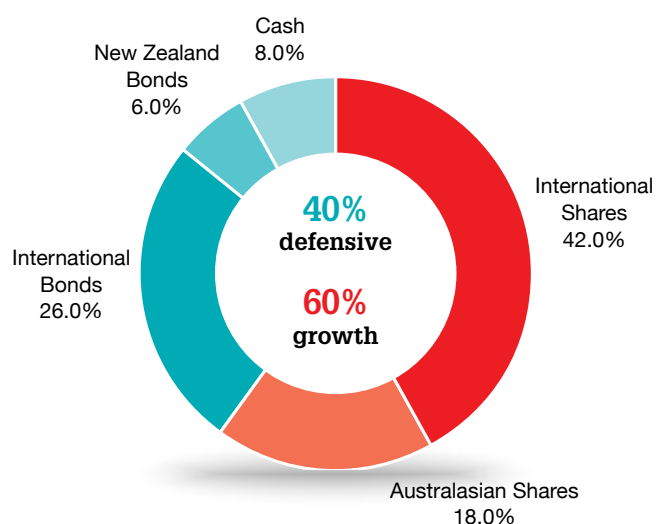
Level of risk¹: High

Growth Fund & Defined Benefit Assets

Generally best suited to **medium to long-term investments**.
Can generally be expected to achieve more moderate long-term returns than the High Growth Fund, but with less risk of a negative return in the shorter term.

Performance to 30 June 2013

Return objective above increase in inflation (cpi)	3.5% ²
Period measured over ¹	10 years ²
Target return	7.7% ²
Actual return (after tax & investment expenses)	7.6% p.a. (over 10 year period) ²



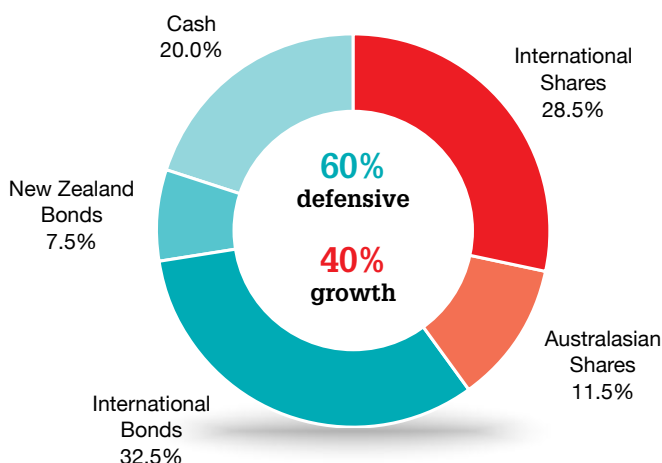
Level of risk¹: Moderate to high

Moderate Balanced Fund

Likely to suit **medium-term investments**. Can generally be expected to achieve higher long-term returns than the Defensive Fund, but more risk of a negative return in the shorter term.

Performance to 30 June 2013

Return objective above increase in inflation (cpi)	2.5%
Period measured over ^{1,3}	10 years
Target return ³	6.7%
Actual return ³ (after tax & investment expenses)	5.2% p.a. (since inception)



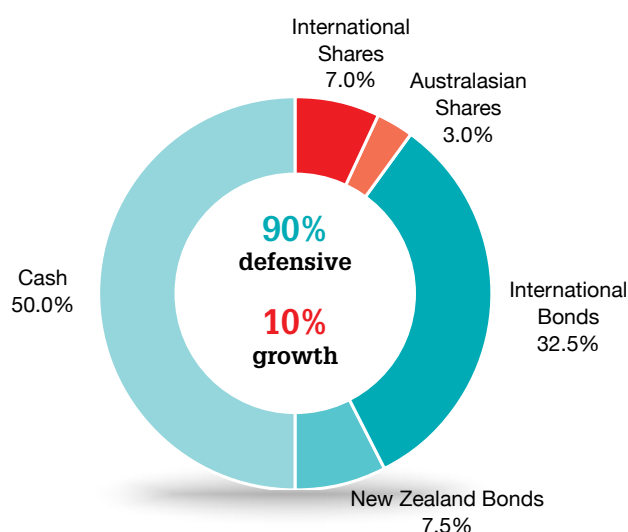
Level of risk¹: Moderate

Defensive Fund

Likely to suit **short to medium-term investments**. Generally most suitable where preservation of capital is more important than a higher long-term return.

Performance to 30 June 2013

Return objective above increase in inflation (cpi)	2%
Period measured over ¹	5 years
Target return	5.9%
Actual return (after tax & investment expenses)	5.9% p.a. (over 5 year period)



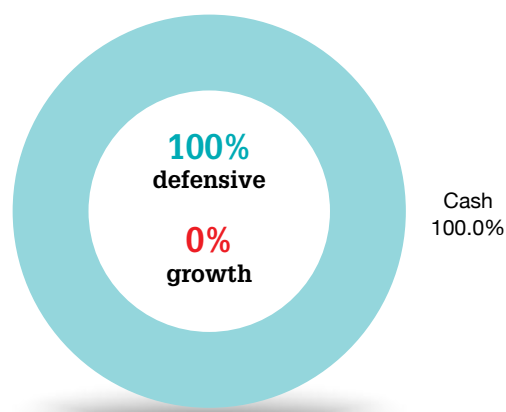
Level of risk¹: Low to moderate

Cash Fund

Best suited to **short-term investments**. Can be expected to offer protection against negative returns, but is unlikely to offer any long-term gains.

Performance to 30 June 2013

Return objective above the ANZ 90-Day Bank Bill Gross Index	0.25%
Period measured over ^{1,4}	3 years
Target return ⁴	n/a
Actual return ⁴ (after tax & investment expenses)	n/a



Level of risk¹: Low

1 Period varies, depending on a fund's level of risk (i.e. the likelihood of the fund achieving a negative return in the shorter term).

2 Performance measures apply to the Growth Fund only; Defined Benefit Assets do not apply.

3 Commenced in November 2007, so data not available for full period.

4 Commenced in December 2012, so data not available for full period.

Actual outcomes will be influenced by both domestic and global financial market conditions and the asset mix in each fund.

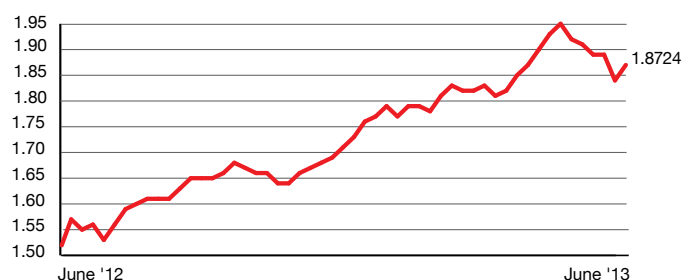
How does this all translate to our own savings in the Scheme during the year?

Unit price movements give a good indication of how each In-Tandem fund progressed over the year. As you can see in the charts below, all funds trended upwards during the year.

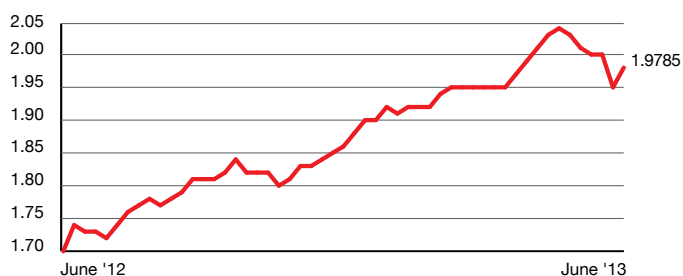
Want to know more about unit prices?

Check out the 'Understanding unit prices' webinar on the In-Tandem website under the 'Multimedia' tab.

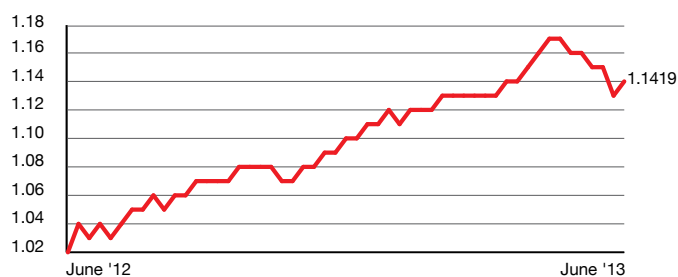
High Growth Fund



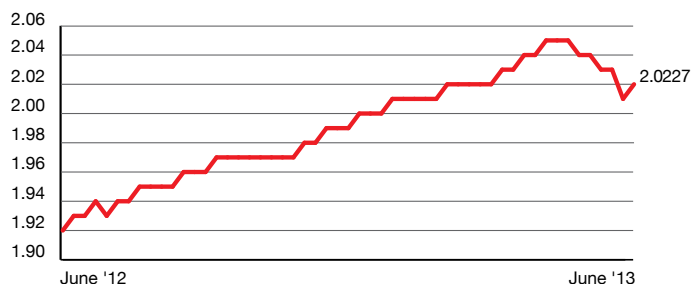
Growth Fund



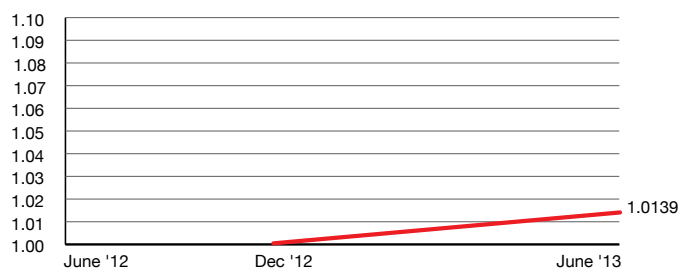
Moderate Balanced Fund



Defensive Fund



Cash Fund*



* Commenced December 2012, so returns not available for full 12-month period.



Fee overview

Spotlight on fees.

As a member of any retirement savings scheme, it's important that you pay as little money as possible in fees so that you can keep as much as possible in your account working for you.

That's why it's good to know that all direct fees and expenses associated with the Scheme are paid by Westpac or from the Scheme's surplus.

In fact, the only fees you pay are investment management fees, which cover the costs associated with managing your portion of your investments in the fund(s) you have chosen to invest in. These are considered indirect costs, as they are not deducted from your account balance but are deducted from investment earnings before they are applied to your account.

To the right is a summary of the expenses paid during the year, both by you and Westpac (or from the Scheme's surplus). These expenses are regularly reviewed by the Trustees to ensure they remain competitive and reasonable on a year-to-year basis.

Did you know?

Small differences in fees can have a major impact on your longer-term returns.

You pay your own investment management fees...

Investment management fees are charged as a percentage of your overall investment according to the fund(s) you are invested in.

Separate managers have been appointed to manage each class of the Scheme's assets. This means that the fee for each investment fund varies, depending on the asset mix. Because of the additional complexity or analysis involved, managers who invest in growth-type assets such as shares typically charge higher fees than those looking after defensive-type assets (bonds and cash). If you invest in the Defensive Fund, for example, the fee will be lower than if you invest in the High Growth Fund.

It's also important to note that investment fees charged on each asset class are based on the amount of funds managed. This means that if the Scheme is growing in size (or more specifically, if the funds invested in a particular asset class increase) the investment fees charged by the investment manager of that asset class (as a percentage of the total) may reduce.

The fees as at 30 June 2013 for each fund are:

Investment fund	Investment management fee (%p.a.)*
High Growth	0.59
Growth	0.52
Balanced	0.45
Defensive	0.30
Cash	0.11

* The investment management fees for each fund are an estimate of the past year and have been calculated based on benchmark asset allocations and funds under management, as quoted by each investment manager. They include in-fund costs as well as the pure investment management fees. Actual costs may vary from time to time depending on movement in fund size.

Based on information provided by their independent investment consultant, the Trustees believe these fees stand up well against market comparisons.

...Westpac (or the Scheme's surplus) pays the rest

All direct Scheme fees and expenses are paid by Westpac or from the Scheme's surplus. Below is an overview of how fees and expenses were paid during the year compared to last year.

Fees & expenses payment breakdown	2012/2013 (\$000s)	2011/2012 (\$000s)
Expenses (paid by Westpac)*	\$670	\$690
Insurance premiums (paid from Scheme surplus)	\$301**	\$273
Total operating costs (before tax) for year*	\$971	\$963

* Less investment management charges.

** Approximation based on previous three years of premiums. Final figure not yet confirmed.

What do we mean when we talk about the Scheme's surplus?

The Scheme's surplus comes from any money not paid to a member who leaves the Scheme before they are entitled to their full Employer Account balance. These funds are accumulated and held in a separate account, known as the Scheme's surplus account.

Statutory information

Membership numbers

Active members

Opening membership at 1 July 2012	4,027
New members (including transfers)	513
Retirements	-20
Redundancies	-79
Withdrawals	-498
Total and permanent disablements	-3
Deaths	-2
Closing membership at 30 June 2013	3,938

Pensioners and deferred pensioners

Opening membership at 1 July 2012	178
Deaths	-7
Closing membership at 30 June 2013	171

Trustees' report and certificates

The Trustees of the Westpac New Zealand Staff Superannuation Scheme provide members with the following information as required by the Second Schedule to the Superannuation Schemes Act 1989. The Trustees:

- Confirm that all contributions required to be made to the Scheme, in accordance with the terms of the Scheme's Trust Deed, have been made.
- Certify that all benefits required to be paid from the Scheme were in accordance with the terms of the Scheme's Trust Deed.
- Are unable to certify that the market value of the assets of the Scheme as at 30 June 2013 exceeded the value of the benefits that would have been payable had all members 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. (The Trustees are unable to make this certification because there is still a small past service deficit in the Defined Benefit section. Further details are provided in the section headed Actuarial Report on page 16).

- Confirm that contributions are currently being made by Westpac in accordance with the most recent actuarial review of the Scheme.
- Confirm that more than 10% of the market value of the Scheme's assets (calculated in accordance with generally accepted accounting practice) was invested with employers (or associated entities), either directly or indirectly, who are parties to the Scheme:

International bonds

- Approximately 23% of the Scheme's assets are invested in international bonds managed by BT Funds Management (NZ) Limited (in which Westpac Banking Corporation is the ultimate holding company). BT Funds Management (NZ) Limited implements a multi-manager approach operated by Advance Asset Management (a division of Westpac in Australia). Advance Asset Management passes all of the Scheme's funds invested in international bonds to its sub-managers (namely, Standish Mellon, Franklin Templeton and Wellington).

New Zealand cash

- Approximately 14% of the Scheme's assets are invested in New Zealand cash through a segregated account with BT Funds Management (NZ) Limited (in which Westpac Banking Corporation is the ultimate holding company). BT Funds Management (NZ) Limited invests all of the Scheme's funds invested in cash directly into a range of short-term securities including commercial paper, treasury bills and term deposits.



Additional disclosures

Under current legislation, the Scheme is exempt from the requirement to maintain and file a prospectus. To qualify for the exemption, the Trustees are required to make the following disclosures:

The Trustees confirm that in their opinion, after due enquiry by them, neither of the following has materially and adversely changed since 30 June 2013:

- the value of the Scheme's assets relative to its liabilities (including contingent liabilities), and
- the ability of the Scheme to pay its debts as they become due in the normal course of business.

The Trustees also confirm that no person was required to incur costs for the year ended 30 June 2013 under the terms of the offer required by clause 7 of the Securities Act (Employer Superannuation Schemes) Exemption Notice 2004 relating to any funding shortfall.

Actuarial report

The most recent triennial actuarial review of the Scheme was carried out as at 30 June 2011. The purpose of the valuation was to determine the financial position of the Scheme and to determine the level of contributions required from Westpac to meet the benefits payable from the Scheme.

The results of the valuation showed that there was a past service deficit, with the value of the accrued liabilities exceeding net assets by \$10.123 million. This compares with a past service deficit of \$10.854 million as at 30 June 2010. The improvement in the Scheme's financial position was mainly as a result of Westpac's lump sum deficit funding payment made during the year.

As noted in previous annual reports, the Trustees have agreed a formal funding policy with Westpac. Under this policy, the target funding ratio for the Defined Benefit section is 95% to 105%. If the defined benefit funding ratio falls below 95%, then additional contributions from Westpac are payable in order to meet the shortfall over a four-year period. If the ratio exceeds 105%, then contributions by Westpac required to meet the cost of the future service benefits can be reduced. The defined benefit funding ratio as at 30 June 2011 was 88.6%, which is below the 95% threshold. Consequently, Westpac was required to pay shortfall contributions of \$2.8 million per annum over a four-year period.

The actuary recommended that contributions be paid by Westpac as follows:

- 12.0% of the salaries of Defined Benefit members;
- the actual credits to the employer accounts of In-Tandem members;
- the cost of the credits to the employer accounts of members who participate in the Superannuation Incentive Plan;
- by way of reimbursement, the actual administration expenses incurred by the Scheme;
- the expected cost of the group life premiums for In-Tandem members;
- an additional \$2.8 million during the financial year ending 30 June 2012 in respect of the past service shortfall.

These amounts are exclusive of Employer Superannuation Contribution Tax.

The actuary also recommended that interim actuarial valuations be carried out as at 30 June 2012 and 30 June 2013 to assess the financial position of the Scheme at the time and in particular determine what contributions Westpac should pay to meet the benefits provided by the Scheme.

Interim actuarial valuation as at 30 June 2013

An interim actuarial valuation of the Scheme was carried out as at 30 June 2013, in order to determine the financial position of the Scheme and to determine the level of contributions required from the Bank to meet the benefits payable from the Scheme.

The results of the valuation show that there is a past service deficit, with the value of the accrued liabilities exceeding net assets by \$3.698 million. This represents a significant improvement in the financial position of the Plan when compared to the previous year, which saw a past service deficit of \$13.664 million as at 30 June 2012.

This improvement in the Scheme's financial position is mainly as a result of:

- investment returns being higher than the assumed return of 5.5% per annum
- the Bank's lump sum deficit funding payment of \$3.8 million made during the year
- pension increases for Category 1, 2, 3 & 4 members as at 1 October 2012 being lower than the 2.5% assumed in the valuation (see the Pension increases section on the following page for more information).

The actuary also found that the defined benefit funding ratio as at 30 June 2013 was 95.4%, which is within the 95% - 105% target funding range.

In view of this, the actuary recommended that no lump sum contributions were required for the year to 30 June 2014, but that all other recommendations made in his triennial actuarial valuation (as summarised previously) continue to apply.

Westpac's contributions

Westpac contributed in accordance with the above recommendations during the year including making a one-off additional contribution of \$3.8 million into the Scheme on 21 May 2013 on behalf of Defined Benefit members*, in line with the actuary's 2012 funding recommendation (as outlined in last year's annual report).

* The Defined Benefit section includes members who joined the Scheme before January 1996 and pensioners.

Pension increases

On the actuary's recommendation, the Trustees approved an increase in pensions to help offset the cost of inflation and in line with the provisions of the Trust Deed. From the first pension payment after 1 October 2013, payments will increase by 0.68% for Category 1 & 4 pensioners and increase by 1.5% for Category 2 & 3 pensioners. This follows a 0.95% increase for Category 1 & 4 pensioners and a 1.5% increase for Category 2 & 3 pensioners the previous year.

Trust Deed amendments

There were no amendments made to the Scheme's Trust Deed in the year ending 30 June 2013.

The Scheme's financials

Summary of financials.

	2013 (\$)	2012 (\$)
Summary Statement of Changes in Net Assets		
Investment Activities		
Net Investment Income	46,391,026	406,577
Other Income		
Reimbursement of Expenses by Westpac	988,440	1,020,921
Use of Money Interest	-	12,994
	988,440	1,033,915
Less		
Other Expenses		
Administration Fees	314,952	312,871
Actuarial and Consulting Fees	85,122	82,594
Auditors' Remuneration – Audit Fees	40,000	39,675
Auditors' Remuneration – Tax Agent Fees	26,565	22,801
Investment Consultancy Fees – Retainer	159,576	179,442
Legal Fees	62,430	71,523
Group Life Premiums – Westpac Life-NZ-Limited	838,811	273,458
Other Expenses	39,504	24,756
Total Other Expenses	1,566,960	1,007,120
Change in Net Assets before Taxation and Membership Activities	45,812,506	433,372
Income Tax Expense	(4,015,917)	(3,429,315)
Change in Net Assets after Taxation and before Membership Activities	41,796,589	(2,995,943)
Membership Activities		
Member Contributions	13,506,417	13,037,447
Employer Contributions	22,478,468	21,094,809
Group Life Claims – Westpac Life-NZ-Limited	524,077	997,384
Transfers from Other Funds	99,559	-
Less		
Benefits Paid	(37,951,571)	(33,791,408)
Net Membership Activities	(1,343,050)	1,338,232
Net Increase/(Decrease) in Net Assets During Year	40,453,539	(1,657,711)
Summary Statement of Net Assets		
Assets		
Financial Assets – at Fair Value Through Profit or Loss	299,307,507	260,028,672
Cash and Short-term Investments	19,861,297	21,503,462
Current Assets	2,427,431	63,096
Total Assets	321,596,235	281,595,230
Less		
Liabilities		
Benefits Payable	368,729	310,497
PIE Tax Payable	-	264,238
Contributions Received in Advance – Member	206	500
Contributions Received in Advance – Employer	684	3,333
Current Tax Liability	137,662	308,057
Trade and Other Payables	200,964	274,154
Total Liabilities	708,245	1,160,779
Net Assets Available to Pay Benefits	320,887,990	280,434,451
Vested Benefits*	321,464,000	290,974,000
Summary Statement of Cash Flows		
Net Cash Flows from Operating Activities	(3,815,090)	1,858,627
Net Cash Flows from Investing Activities	2,172,925	(6,945,701)
Net Decrease in Cash Held	(1,642,165)	(5,087,074)
Cash at Beginning of Year	21,503,462	26,590,536
Cash at End of Year	19,861,297	21,503,462

Shows the Scheme's income and expenses during the year.

Cost of running the Scheme.

Total amount paid out in insurance to members during the year.

Total amount paid to members and pensioners who left the Scheme during the year.

Shows how much the Scheme owns (total assets – \$321.6m) and how much the Scheme owes (total liabilities – \$0.71m).

Shows how much cash came in and out of the Scheme's bank account during the year.

*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 Scheme at balance date.

Notes to the summary of financials

A summary of the Westpac New Zealand Staff Superannuation Scheme's (the 'Scheme's') audited financial statements for the year ended 30 June 2013 which were authorised for issue on 22 October 2013 is shown on page 18 of the annual report. The summary financial statements have been extracted from the full audited financial statements which were authorised for issue by the Scheme's Trustees on 22 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 New Zealand generally accepted accounting practice (NZ GAAP) and they comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). The Scheme has made an explicit and unreserved statement of compliance with 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 Scheme operates.

The summary financial statements do not include all the disclosures provided in the full financial statements and cannot be expected to provide as complete an understanding as provided by the full financial statements of the Scheme.

A copy of the full financial statements can be obtained, free of charge, from the Scheme's administration manager. The Scheme is a profit-orientated entity. The auditors' reports on the full financial statements for the years presented did not refer to a fundamental uncertainty and were not modified in any way.

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

Auditors' report



Independent Auditors' Report on Summary Financial Statements

to the members of the Westpac New Zealand Staff Superannuation Scheme

We have audited the accompanying summary financial statements of the Westpac New Zealand Staff Superannuation Scheme ('the Scheme') on pages 18 to 19, which comprise the summary statement of net assets as at 30 June 2013, the summary statement of changes in net assets and summary cash flow statement for the year then ended, and the notes to the summary financial statements, which are extracted from the audited financial statements of the Scheme for the year ended 30 June 2013.

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 the Scheme.

Trustees' Responsibility for the Summary Financial Statements

The Trustees are responsible for the preparation of the summary financial statements in accordance with FRS-43: Summary Financial Statements.

Auditors' Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (New Zealand) 810: Engagements to Report on Summary Financial Statements.

We have no relationship with or interests in the Scheme other than in our capacities as auditors and tax advisors. These services have not impaired our independence as auditors of the Scheme.

Opinion on the Financial Statements

Our audit of the financial statements for the year ended 30 June 2013 was completed on 25 October 2013 and our unmodified opinion was issued on that date. We have not undertaken any additional audit procedures from the date of the completion of our audit.

Opinion on the Summary Financial Statements

In our opinion, the summary financial statements have been correctly extracted from the audited financial statements of the Scheme for the year ended 30 June 2013 and are consistent, in all material respects, with those financial statements, in accordance with FRS-43.

Restriction on Distribution or Use

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

A stylized, handwritten-style signature of 'PricewaterhouseCoopers' in a dark grey or black ink, with a long horizontal line underneath it.

Chartered Accountants
25 October 2013

Wellington

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Directory

Actuary and Administration Manager

Mercer (N.Z.) Limited

Auditor

PricewaterhouseCoopers

Solicitor

Simpson Grierson

Insurer

Westpac Life-NZ-Limited

Investment consultant

Mercer (N.Z.) Limited

Investment managers

International shares

AMP Capital Investors

Australasian shares

Harbour Asset Management Limited (50%)
ANZ New Zealand Investments Limited* (50%)

International bonds

BT Funds Management (NZ) Limited

New Zealand bonds

ANZ New Zealand Investments Limited*

Cash

BT Funds Management (NZ) Limited

Secretary



Andrew Taylor

Mercer (N.Z.) Limited
Level 18, 151 Queen Street
P O Box 105591
Auckland 1143

Phone: (09) 928 3237
Fax: (09) 928 3201
Email: andrew.taylor@mercero.com

Complaints Officer

Andrew Taylor

Mercer (N.Z.) Limited
Level 18, 151 Queen Street
Auckland

Phone: (09) 928 3237

Fax: (09) 928 3201

Email: complaints@westpacintandem.co.nz

Making a complaint

1. Call the helpline (0508 INTANDEM or 0508 468 263) to discuss your concerns. Depending on the nature of your complaint, the helpline will direct you to the Complaints Officer.
2. Email the Complaints Officer at complaints@westpacintandem.co.nz.

The Trustees have 40 working days to respond to your complaint. If you are not satisfied by the response, you may refer the matter to Financial Services Complaints Limited 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 from their website, www.fscl.org.nz.

Questions?

If you have any questions about your Scheme or would like more information, please call the In-Tandem helpline.

Freephone: 0508 INTANDEM (0508 468 263)

Internal Extn: 83995

Helpline hours are 9.00am to 7.00pm
Monday to Friday

All other correspondence about the Scheme or for the Trustees should be sent to the Scheme Secretary.

*Effective 20 September 2013 OnePath (NZ) Limited changed its name to ANZ New Zealand Investments Limited.

