

# Making Super Simple

Westpac New Zealand  
Staff Superannuation Scheme

2015 Annual Report



# Highlights

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**2.8%**

annual return for the Cash Fund  
net of fees and taxes

**9.7%**

annual return for the Defined Benefit  
section net of fees and taxes

**4.0%**

annual return for the Defensive Fund  
net of fees and taxes

**\$361**

million in retirement savings  
accumulated

**7.6%**

annual return for the Moderate  
Balanced Fund net of fees and taxes

**4,026**

active members and pensioners

**9.7%**

annual return for the Growth Fund  
net of fees and taxes

**Westpac**

continues to pay your fees and  
expenses in the Scheme

**12.5%**

annual return for the High Growth  
Fund net of fees and taxes

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# Welcome from Bruce

On behalf of my fellow Trustees, I am pleased to present the Scheme's annual report for the year ended 30 June 2015.

**It has been another great year and we are proud of the services we offer to you as a member of this scheme.**

## Our team

During the year and after 1 July 2015, we welcomed a number of new Trustees and thanked those who resigned during the year for their excellent contribution to the Scheme and its members. As a team we are fully committed to helping you achieve your savings goals.

## Investment changes

After an extensive review, during the year the Trustees have appointed Towers Watson as the Scheme's Investment Consultant and BT Funds Management as the Scheme's Investment Implementation Manager. The appointment of BT Funds Management and Towers Watson brings together the strong capabilities of two investment firms with local and global expertise, allowing for a more nimble and dynamic approach to managing the Scheme's investments which should ensure greater value to members. During the year, most of the Scheme's assets have been transitioned to BT. We are very pleased with how the transition has gone and are looking forward to working with both teams.

## Our communications

We regularly receive feedback from members of the Scheme about how we can better communicate with them and we were pleased to deliver something many of you have been asking for. In March this year we launched InTandem Insights, our regular electronic newsletter, designed to help keep you updated about what's going on in the investment market, the Scheme and things that may impact you as a member. All editions of the newsletter can be found on the Scheme's website [westpacintandem.co.nz](http://westpacintandem.co.nz).

## Our future

The Trustees remain focused on delivering the best outcomes for you. We are also committed to continuous improvement in the services we provide you. We thank you for your continued support and are looking forward to the next year.

If you have any questions about your account, please speak with one of the Helpline consultants on **0508 468 263** or visit [westpacintandem.co.nz](http://westpacintandem.co.nz).



Bruce Kerr  
Chairman

10 November 2015



# Buying your first home

**After you have been a member of the InTandem section of the Westpac New Zealand Staff Superannuation Scheme for at least three years you're able to withdraw all or part of your retirement savings to use towards the purchase of your first home.**

If you have owned a home previously you may also be able to withdraw your savings to help with the purchase of your new home. Second chance withdrawals are only permitted in certain circumstances. Call us on **0508 468 263** to find out if you are eligible.

**You cannot use your savings to buy an investment property. The property or land you are buying MUST be used as your principal place of residence.**

To find out more please read the First Home Withdrawal FAQs and to apply for the First Home Withdrawal benefit you will need to complete the First Home Withdrawal application form. Both documents are available in the Documents & Forms section of the [westpacintandem.co.nz](http://westpacintandem.co.nz) website.

## **First Home Help**

In 2015, we launched the Westpac InTandem First Home Withdrawal benefit. This new Scheme feature is available to all eligible members. It is great to see that 17 members have already benefited from using their savings to buy their first home.



# Women of Influence and Super

For our special feature on Women of Influence and Super, we interviewed Jo McGregor, one of our new Trustees, who shares some of the things she does to better prepare for retirement.

**Jo McGregor**  
Trustee



Jo was elected to the Trustee board by Scheme members earlier this year. Jo is a chairperson of the Flexibility Employee Action Group (EAG) and is passionate about ensuring employees and members of the Scheme of all ages are supported with flexible working arrangements. She also wants to ensure everyone has equal opportunities when it comes to transitioning into retirement.

**Jo, how long have you been with Westpac and what did you do before?**

I have been with Westpac for over 10 years, holding positions in Strategy, Finance and Product Management. I started my career working for PricewaterhouseCoopers as a Chartered Accountant and worked for PwC in Auckland and Edinburgh. My current role at Westpac is Head of Consumer Products.

**What made you get involved in the EAG?**

I have fortunately been able to work flexibly during my career and wanted to help ensure others have the same opportunity. I also recognise that during certain stages of our life working flexibly can make a huge difference to our own wellbeing and also the wellbeing of our families. Members of the Scheme benefit from information and financial support offered within the Scheme and as an employee of Westpac everyone benefits from a wide range of tools, information and support.

**What are the key goals of this programme?**

Our primary objective is to support employees with their flexibility needs as they evolve through their life stages.

**How does it benefit members of the Scheme?**

As an employee of Westpac you will be able to apply for flexible working through the online portal which was launched in October. As a member of the Scheme you will need to consider what impact it has on your retirement savings. Any reduction in contributions or reduced hours can make a difference to your future, so you benefit from an adviser network and information offered to you as a member of the Scheme.

**Three tips on what members can do to be better prepared for retirement?**

- 1. Start now** – members of InTandem (and/or those enrolled in KiwiSaver) have already begun their savings journey and that is #1 on the list. Even if you are just starting out, the money saved through your superannuation could end up helping to buy your first home.
- 2. It's all about YOU** – unfortunately you cannot always rely on having your partner around when you reach retirement, and research shows retirement savings for women is significantly below that of men. Ensure you take personal responsibility for YOU and/or your family's future by saving for your own retirement.
- 3. Ask for help** – Talk to a trusted financial adviser and make sure you are on track to achieve your 'Holiday of a lifetime'.



**Gwenderlin Brodie**  
Member of the Scheme

## Meet Gwenderlin Brodie

Who doesn't want a comfortable retirement? Whether you're only just starting to save or have been saving for quite some time, planning or reviewing your savings strategy will help you be better prepared for the future.

### **Can you please share what you are doing to save for retirement?**

I am doing a number of things to prepare for my retirement. First I take advantage of opportunities that are available such as savings in the InTandem scheme. Anything over and above my contributions I also save in a KiwiSaver scheme. My personal goal is to be mortgage free by age 65, so I make sure I am well on track to paying off my house.

### **How is being a member of this Scheme helping you prepare for the future?**

I have always believed in pay yourself first and from every pay increase 1% goes into saving for your future. I started saving with Westpac when I started working for the bank and took advantage of the contributions Westpac was making into my account, not only to my InTandem account, but KiwiSaver as well.

### **What are you finding easy / challenging when it comes to savings?**

I have taken the time to decide how I'd like my retirement to look and put in place actions that will give me the retirement I desire. I realise things can change so I review my plans annually and make any necessary adjustments.

### **How do you see your retirement?**

It is quite simple – to be able to live the lifestyle I have now, in retirement.

### **Do you think you will be able to afford the lifestyle you would like in retirement?**

As long as I stay disciplined with my goal of being debt free and continue my savings, I will have a lifestyle that meets my goals in retirement.

# Saving now and through retirement

Take advantage of every opportunity and make the most of it – Westpac's Financial Advisers can make a big difference to your savings. Karl Mabbutt, Westpac Financial Adviser, talks about how financial advice can help you make important decisions.

**Karl Mabbutt**  
Financial Adviser



## Financial Advice

### How can a Financial Adviser help members of the Scheme?

An Authorised Financial Adviser can provide a confidential service to members and help them to understand risk as it relates to the Scheme, aid them with their planning and show them how they can utilise InTandem to support their financial and personal goals.

We can also help members or potential members to understand the rules, benefits and features of the scheme, and how InTandem, KiwiSaver and any other savings they may have relate and interact.

### What questions do you get from members?

People have different needs and the questions can be wide and varied, but some common questions are:

- Can you help me plan for retirement?
- What are my options if I leave the Scheme?
- How should I invest my savings and what would the consequences be if I change my views on risk?
- What will my contributions be?
- How much does Westpac contribute?
- How does InTandem interact with KiwiSaver?
- What are the contributions if I join KiwiSaver?
- What are the fees associated with the Scheme?

- Where and how is the money invested in the Scheme?
- Do I have any insurance as part of the Scheme?

### When should members get advice?

If you have recently joined Westpac, are thinking of leaving, nearing retirement, buying a house or going through a life-changing event, these would all be good reasons to talk to a Financial Adviser.

Although we tend to ask for advice when we are forced into making big financial decisions, these are often difficult times and we are rarely in the best emotional state to make these decisions. Having a well-thought-out plan, that includes contingencies should anything go wrong, is the best approach. So you could say that the best time to speak to a Financial Adviser is right now.

### People are living longer; what impact does it have on their savings?

For most of us, living longer will require us to fund our retirements for longer. This means that in order to maintain the same standard of living throughout your retirement you would need to start retirement with a larger retirement fund. You would therefore need to either save more, continue to work and retire later, potentially take more risk and continue to invest during retirement, to give yourself the best chance of financial security. The earlier you start this planning process, the greater chance you will have of success.



Many of us are largely reliant on NZ Super for our retirement. Interestingly, this is the one source of retirement funding over which we have the least control! It is no secret that more people living longer will put pressure on the current system and it is entirely feasible that Governments of the future may have to look at ways to relieve the pressure; which could lead to NZ Super being means-tested, the age of qualification could be pushed out or the pension reduced.

**How can they prepare for it or what one piece of advice would you give members reading this report?**

Whatever your age, it is important to plan for your retirement. If you have goals and a plan, you have more control of your future.

**How can members contact you or the Financial Advice team?**

If you know your local investment adviser, I am sure that they would be delighted to work through things with you. If you don't know who to approach, you could identify your local adviser through Westpac's internet site. Go to *Investments and KiwiSaver* > *I want Investment Advice* > *Meet your local Adviser*.

**What is an AFA?**

An Authorised Financial Adviser. These are individual advisers who are permitted under the Financial Markets Act to provide personalised financial advice to individuals.



# Your Trustees

The Trustees are responsible for the oversight and management of the Scheme. They are accountable for the Scheme's investment strategy, insurance arrangements, appointment of investment managers and much more. At 30 June 2015, the Trustees of the Scheme were:



**Bruce Kerr**

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



**Gina Dellabarca**

Appointed on 1 May 2015  
General Manager of Human Resources



**Ian New**

Chief Actuary



**Jo McGregor**

Appointed on 1 March 2015  
Head of Consumer Products



**Marc Proctor**

Northern Region Area Manager, Investment Advisory Service



**Simon Power**

Appointed on 12 June 2015  
General Manager, Consumer Banking & Wealth



**Tim McGuinness**

Appointed on 3 July 2015  
Independent Trustee

## Trustees who resigned

On behalf of all members and the current Trustees, we thank all resigned Trustees for their service and commitment to the Scheme and its members.

**Richard Trounson,**

Resigned on 28 February 2015  
Private Wealth Adviser

**Ian Blair,**

Resigned on 8 May 2015  
General Manager, Retail Bank

**Su Duffey,**

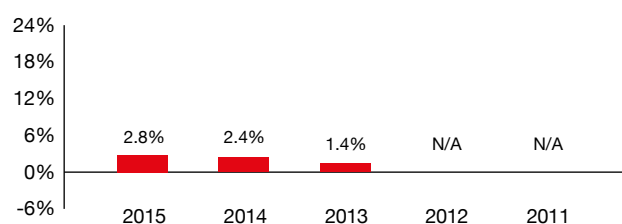
Resigned on 30 April 2015  
General Manager, Human Resources

# Investment performance

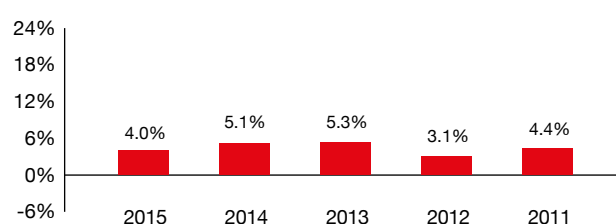
## Over the longer term for each year to 30 June\*

All returns shown are after fees and after tax.

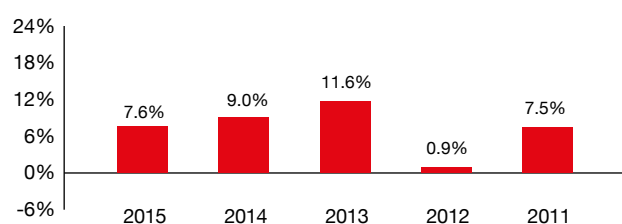
### Cash Fund



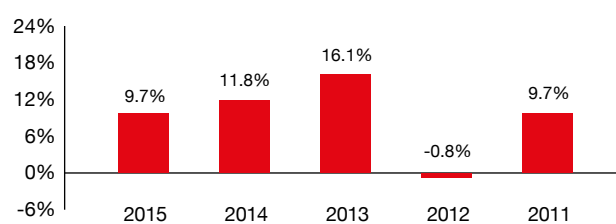
### Defensive Fund



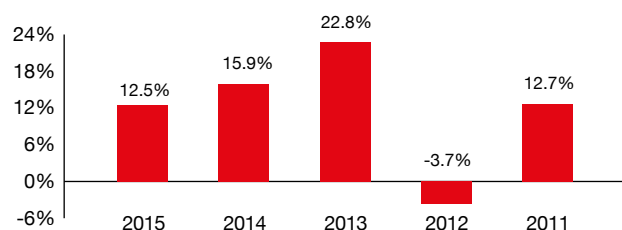
### Moderate Balanced Fund



### Growth Fund



### High Growth Fund



\* The defined benefits option is not included. This option is closed to new members. The performance of this fund does not impact the income payments pensioners receive once they retire.

\*\* The Cash Fund only commenced in December 2012. The figure presented is annualised.

# Investment commentary

Performance of the investment options is strongly influenced by what's going on around the world and in New Zealand.

## Market commentary

### Globally

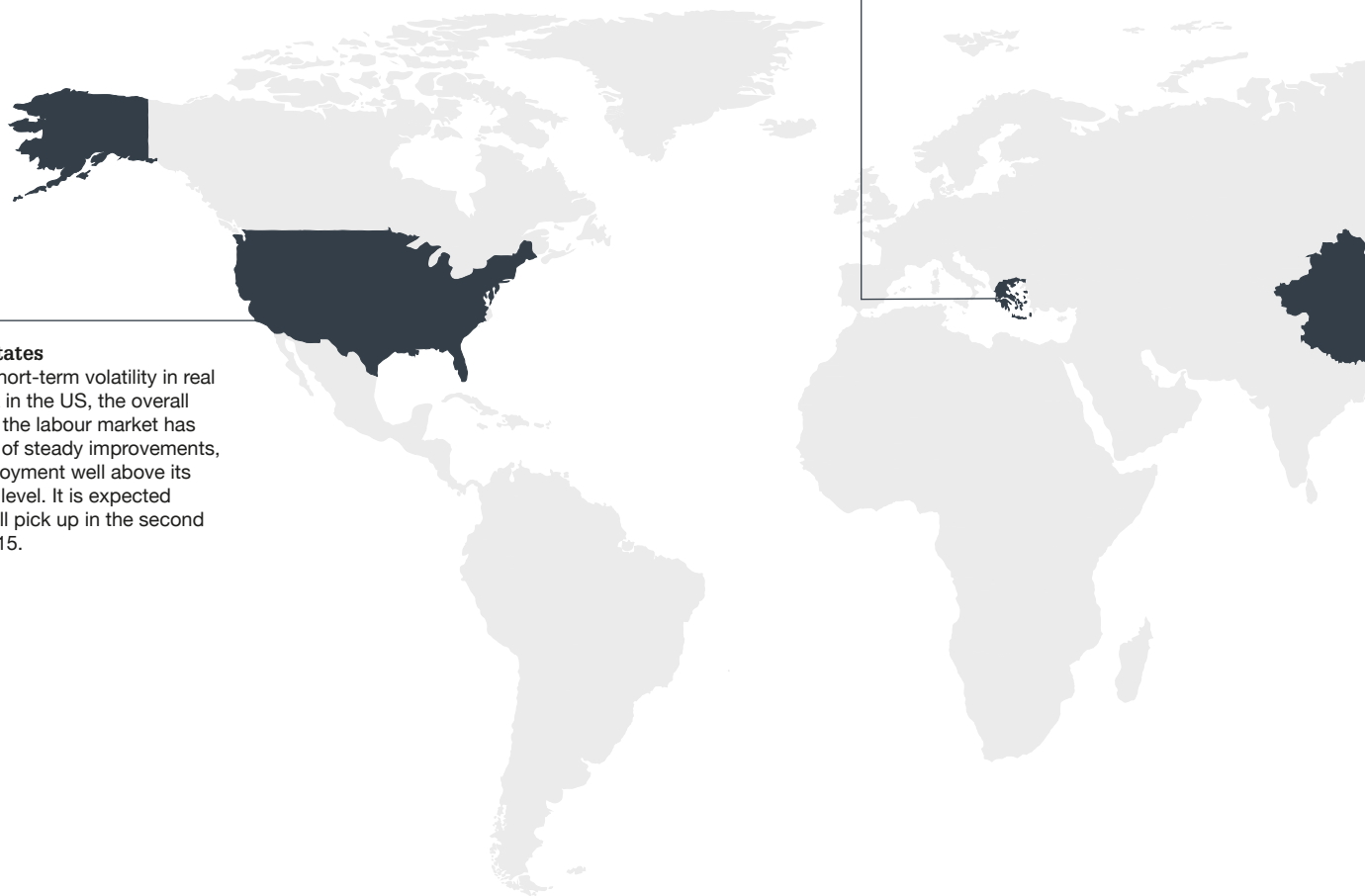
While global growth expectations have been pulled back yet again, the outlook for the global recovery remains healthy, in particular in Europe. European economic news continued to show that the Eurozone's recovery remains on track. The economic confidence index increased unexpectedly in October, reflecting the fourth consecutive monthly increase.

### Greece

For most of the year, markets watched with great anticipation and fear that Greece will default on its repayment obligations while the Greek Government, the IMF and other EC governments were trying to find a solution to the debt repayment crisis.

### United States

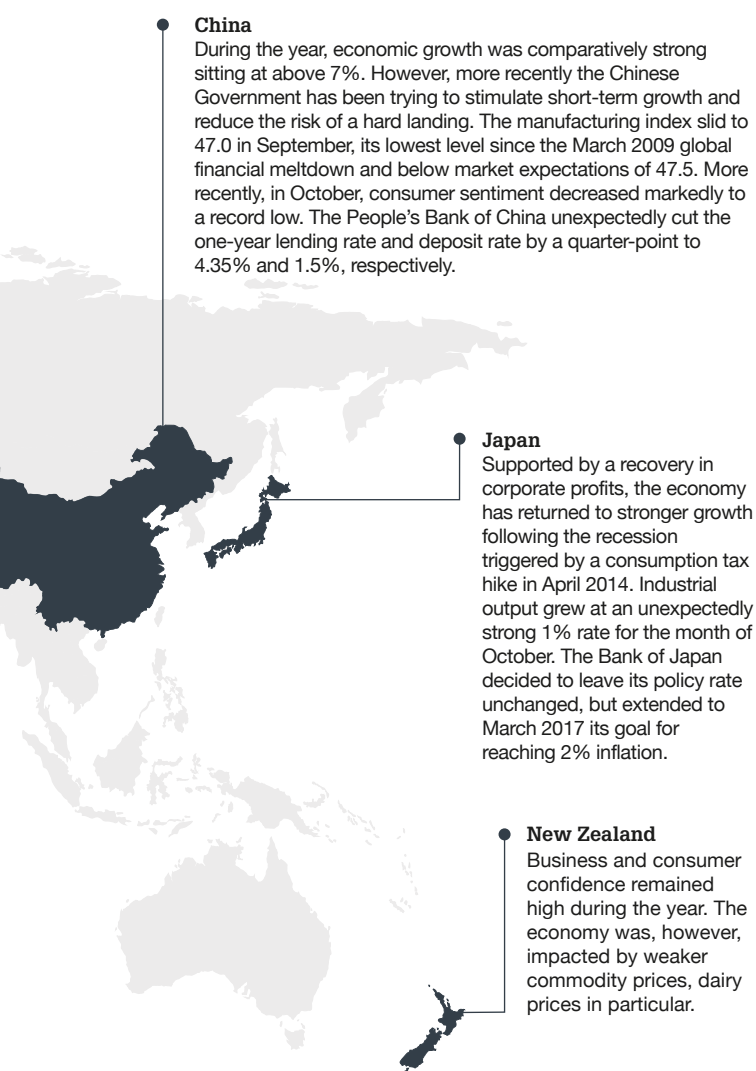
Despite short-term volatility in real GDP data in the US, the overall picture of the labour market has been one of steady improvements, with employment well above its pre-crisis level. It is expected growth will pick up in the second half of 2015.



### Want more info on the markets?

Sign up for the economic insights from Dominick Stephens and other Westpac experts on [westpac.co.nz/business/economic-updates/video-updates](http://westpac.co.nz/business/economic-updates/video-updates)





#### China

During the year, economic growth was comparatively strong sitting at above 7%. However, more recently the Chinese Government has been trying to stimulate short-term growth and reduce the risk of a hard landing. The manufacturing index slid to 47.0 in September, its lowest level since the March 2009 global financial meltdown and below market expectations of 47.5. More recently, in October, consumer sentiment decreased markedly to a record low. The People's Bank of China unexpectedly cut the one-year lending rate and deposit rate by a quarter-point to 4.35% and 1.5%, respectively.

#### Japan

Supported by a recovery in corporate profits, the economy has returned to stronger growth following the recession triggered by a consumption tax hike in April 2014. Industrial output grew at an unexpectedly strong 1% rate for the month of October. The Bank of Japan decided to leave its policy rate unchanged, but extended to March 2017 its goal for reaching 2% inflation.

#### New Zealand

Business and consumer confidence remained high during the year. The economy was, however, impacted by weaker commodity prices, dairy prices in particular.

## Sector commentary

### For the year ended 30 September 2015

**International shares** had another year of impressive performance, returning 17% for members for the year. This was spurred by substantial gains from emerging markets, strong macroeconomic factors within the United States and positive sentiment surrounding quantitative easing programmes throughout Europe and Japan. International shares, however, were hindered in the second quarter of 2015 by the threat of Greece exiting the Eurozone, and significant volatility from China's equity market.

**Australasian shares** delivered positive performance across both Australia and New Zealand, generating an overall return of 10% for the year. Sentiment towards New Zealand shares was supported, particularly in the latter half of 2014, due to enhanced business and consumer confidence and strong economic fundamentals. The Australian share market struggled early in the financial year due to falling commodity prices, but was later revived by two interest rate cuts by the Reserve Bank of Australia and a growing healthcare sector.

**International bonds** were buoyed by falling government bond yields across most major developed economies in the first half of the financial year, despite yields already being at or near record low levels.

**New Zealand bonds and cash** both performed well over the year. New Zealand bonds were strengthened by declining yields, whilst the Official Cash Rate finished at 2.75% after 0.25% rate cuts by the Reserve Bank of New Zealand in June, July and again in September. This is a reflection of slowing domestic activity and lower-than-expected levels of inflation. Further easing is likely.

#### About Towers Watson

Towers Watson is a leading global professional services company that helps organisations improve performance through effective people, risk and financial management. The company offers solutions in the areas of employee benefits, talent management, rewards, and risk and capital. Towers Watson has 14,000 associates around the world and is located on the web at [www.towerswatson.com](http://www.towerswatson.com).

#### About BT Funds Management

BT Funds Management (NZ) Limited (BT) is the investment arm of Westpac in New Zealand. BT has a specialist investment team based in New Zealand. They are one of New Zealand's leading fund managers and manage over \$8 billion of funds as at 18 September 2015.

# Investment options to suit your needs

Whether you're an aggressive investor with an appetite for risk, someone who likes to play it safe or somewhere in between, we've got an investment option to suit you.

That's why the scheme currently offers InTandem members a choice of investment options – cash, defensive, moderate balanced, growth and high growth.

Each investment option has a different mix of investment sectors or 'asset allocations', producing the different levels of expected return and risk. These are shown below and on the following page.

You can also log in to your account to find out more about your investment options.

## Risk vs. return

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.

In contrast, 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.

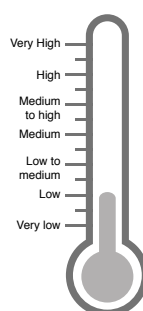
However, you must always remember that past performance cannot be relied on as an indicator of future performance.

## Cash Fund

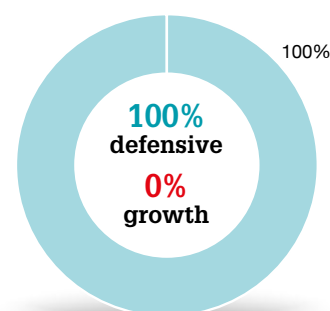
**Risk return profile:** Expect lower levels of risk and return.

**Return Objective:** To exceed the rate of return on the ANZ 90 Day Bank Bill Gross Index by at least 0.25% p.a. over a rolling 3-year period.

Risk level



Benchmark asset mix

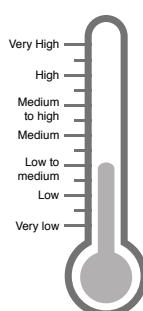


## Defensive Fund

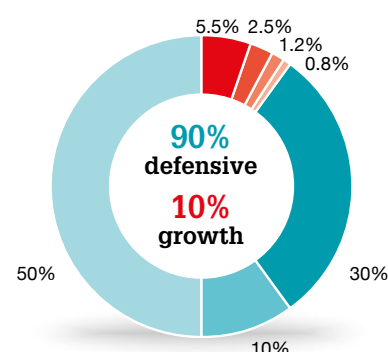
**Risk return profile:** Lower returns over the long-term and lower risk of losses.

**Return Objective:** To exceed the rate of inflation by at least 1.5% p.a. over a rolling 5-year period.

Risk level



Benchmark asset mix

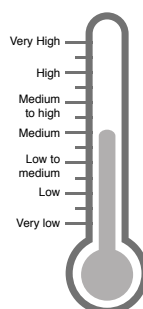


## Moderate Balanced Fund

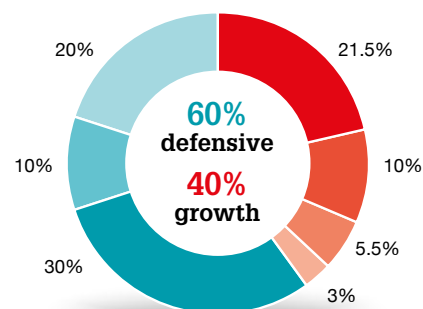
**Risk return profile:** Lower returns over the longterm, than the Growth Fund, but less risk of losses.

**Return Objective:** To exceed the rate of inflation by at least 2.5% p.a. over a rolling 10-year period.

Risk level



Benchmark asset mix

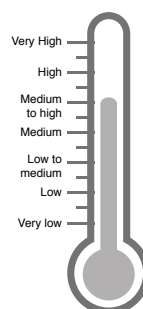


## Growth Fund

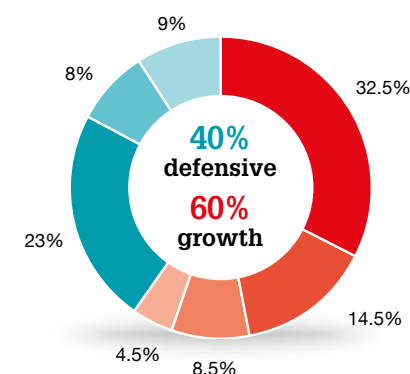
**Risk return profile:** Expect reasonable returns (but lower than the High Growth Fund), but reduced losses in bad years.

**Return Objective:** To exceed the rate of inflation by at least 3.0% p.a. over a rolling 10-year period.

Risk level



Benchmark asset mix

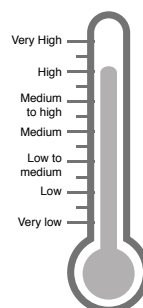


## High Growth Fund

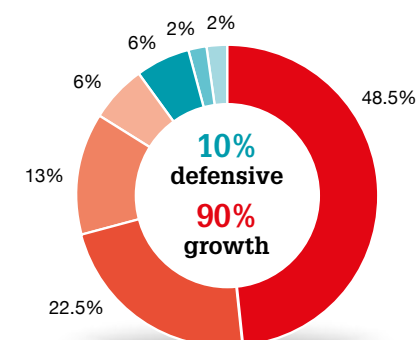
**Risk return profile:** Expect higher returns than other funds over the long-term, but higher losses in bad years.

**Return Objective:** To exceed the rate of inflation by at least 3.5% p.a. over a rolling 10-year period.

Risk level



Benchmark asset mix



### Growth Assets



### Defensive Assets

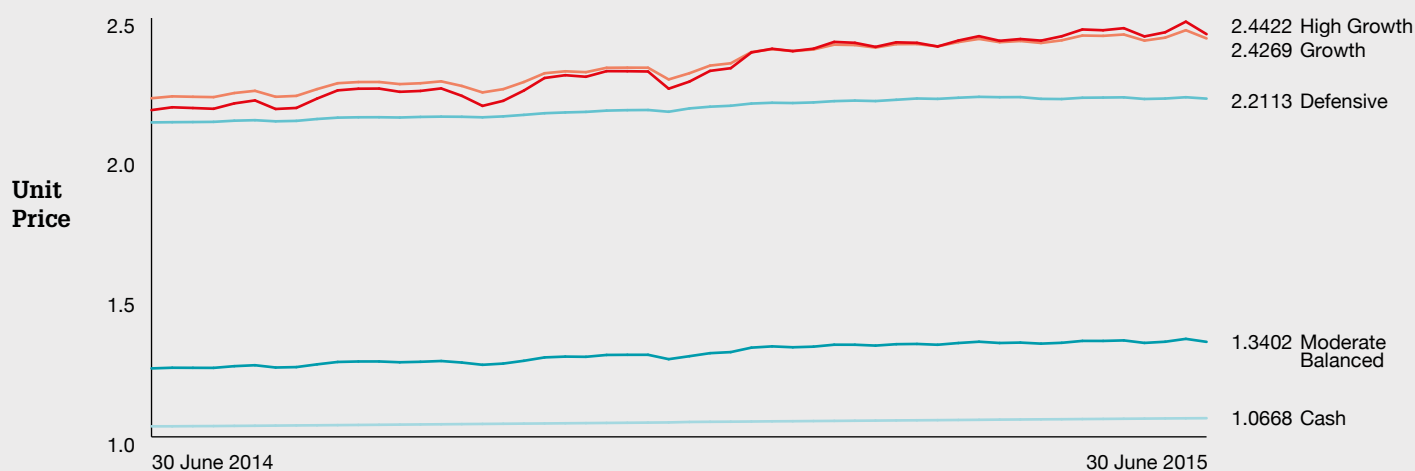


### Making an investment choice

How you invest will depend on your investment time-frame and how much risk you are willing to take. If you are unsure about your risk profile, speak to an Authorised Financial Adviser or use Sorted's investment planner on [sorted.org.nz](https://sorted.org.nz).

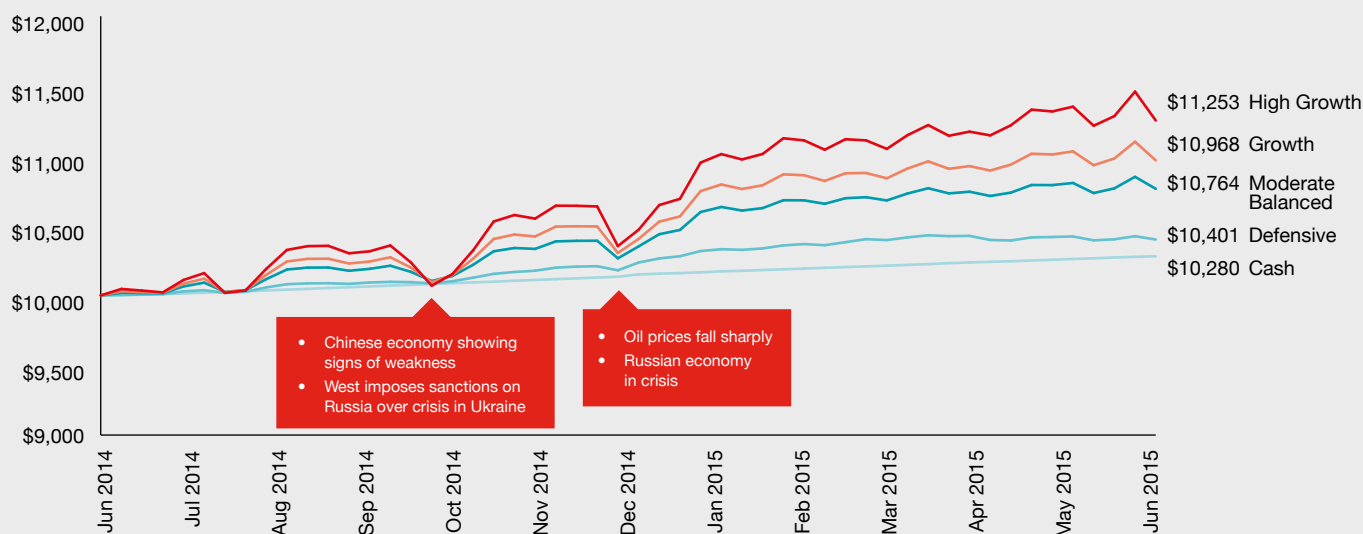
# Unit price movements

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



## Making sense of the unit price movements

The chart below shows the value of \$10,000 invested since 30 June 2014 in each investment option.





# Financial Markets Conduct Act

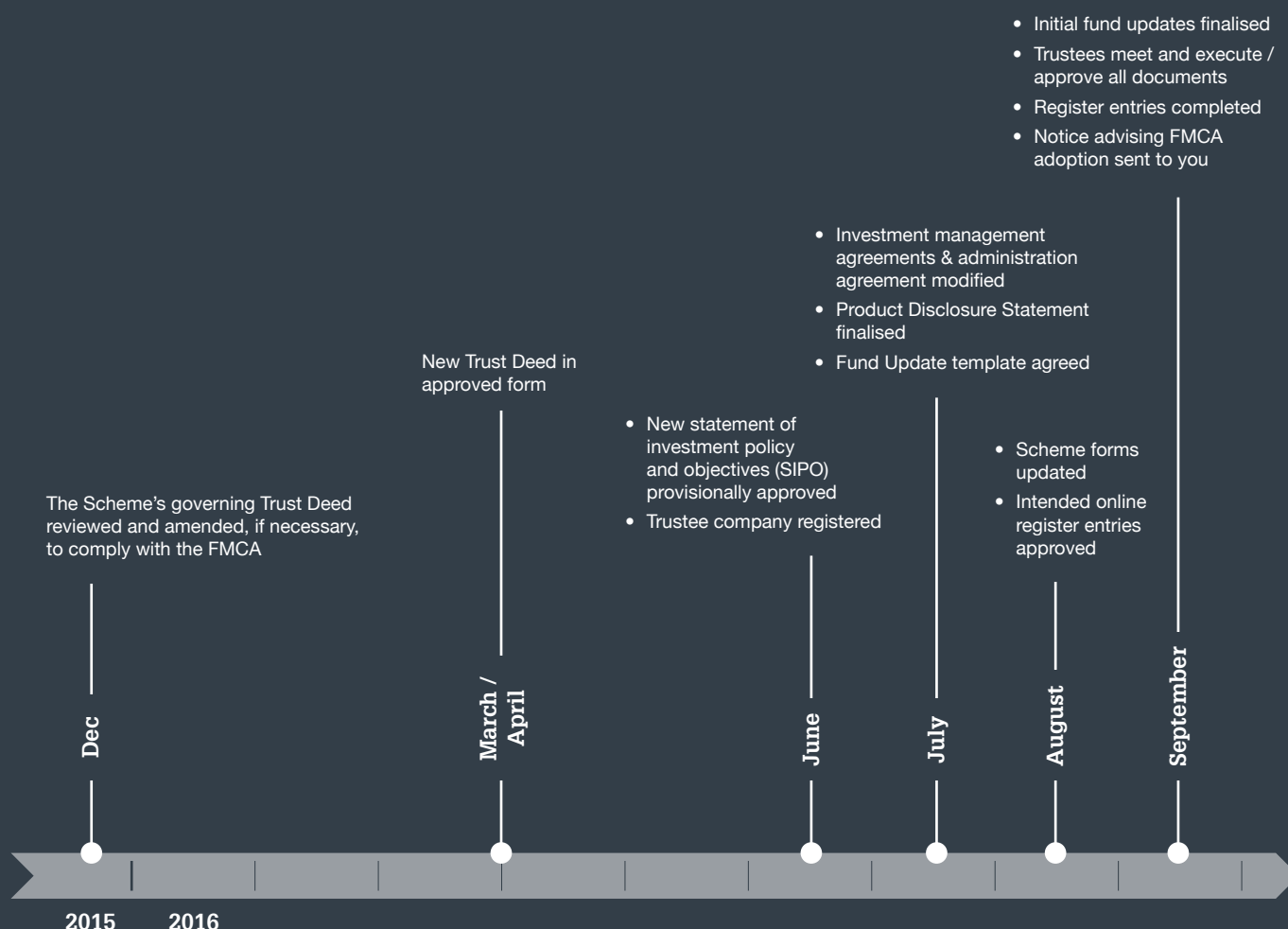
As mentioned in last year's annual report, the Financial Markets Conduct Act 2013 (FMCA) came into effect from 1 December 2014 and the Trustees have until 1 December 2016 to comply fully.

Many of the required changes will occur behind the scenes, but there are a number changes which you will notice:

1. Current investment statement will be replaced by a Product Disclosure Statement (PDS)
2. Tim McGuinness was appointed as the Scheme's licensed independent trustee (see page 8)
3. Key Scheme documents will be registered online on the public register, where you can find out information about all schemes available in the market

**The timeline below shows some of the key proposed FMCA milestones which the Trustees have agreed with Westpac (these may change).**

You can also find further information about the FMCA in the "Guide to the Financial Markets Conduct Act" published by the Financial Markets Authority on their website [fma.govt.nz](http://fma.govt.nz).



## Cutting through the jargon

Fund Update will provide you with information about a Fund in the Scheme. Each Fund will have its own Fund Update and will be prepared annually. It will contain membership, performance and investments-related information relevant to that fund.

Product Disclosure Statement is a document which will replace the current InTandem Investment Statement. It will contain essential information about the Scheme.

# Your online account



## Manage your account

The Scheme's website [westpacintandem.co.nz](http://westpacintandem.co.nz) will help you manage your account.



## Check your current balance

View the current balance on the **Your account page**.



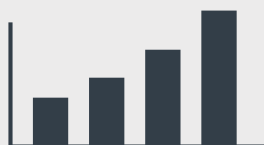
## Check your contributions

View your past contributions on the **Contributions page**.



## Download forms

You'll find useful forms including the 'First Home Withdrawal' form on the Documents and Forms page.



## Change your investment options

You can change where your savings are invested on the **Your investments page**.



# Fees

As a member of a 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 directly from your account balance, but are deducted from investment earnings before they are applied to your account. Below is a summary of the expenses paid during the year, both by you and Westpac (or from the Scheme's surplus).

## And Westpac pays the rest

All direct fees and expenses associated with the Scheme are paid by Westpac. For the year ended 30 June 2015, Westpac paid \$1,596,823 or 0.44% of the Scheme's total assets.

## You pay your own investment management fees

Investment management fees are charged as a percentage of your overall investment according to the investment option(s) you are invested in. The fees as at 30 June 2015 for each investment option are:

Investment option	Investment management fee p.a.
Cash Fund	0.11%
Defensive Fund	0.30%
Moderate Balanced Fund	0.45%
Growth Fund	0.52%
High Growth Fund	0.59%





# Statutory information

## Membership

Active members		Pensioners and deferred pensioners	
Opening membership at 1 July 2014	3,867	Opening membership at 1 July 2014	166
New members	494	New pensioners (deferred)	1
Retirements	(21)	New pensioners (spouse)	4
Redundancies	(18)	Deaths	(7)
Withdrawals/resignations	(455)	Commutation	(2)
Total and permanent disablements	(1)		
Deaths	(2)		
Closing membership at 30 June 2015	3,864	Closing membership at 30 June 2015	162

## 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.
- Cannot certify that the rates of contribution paid to the Scheme are in accordance with the recommendations contained in the most recent valuation report of the Actuary.
- Certify that the market value of the net assets of the Scheme, as at 30 June 2015, exceeded the total value of the benefits that would have been payable had all members of the Scheme ceased to be members at that date and had provision been made for the continued payment from the Scheme of all benefits being paid to members and other beneficiaries as at 30 June 2015.
- **International bonds**  
Approximately 20% 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 and has appointed Advance Asset Management (a subsidiary of Westpac in Australia) as the underlying manager. Advance Asset Management currently passes all of the Scheme's funds invested in international bonds to various sub-managers (namely, Standish Mellon, Franklin Templeton, Wellington Management, Kapstream Capital Management and BT Investment Management).

- **New Zealand cash**  
Approximately 15% of the Scheme's assets are invested in New Zealand Cash managed by 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.
- **Australasian Equities**  
Approximately 14% of the Scheme's assets are invested in Australasian equities 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 and currently passes all of the Scheme's funds invested in Australasian equities to various sub-managers (namely, Salt Funds Management, Devon Funds Management and Harbour Asset Management).
- **International Equities**  
Approximately 27% of the Scheme's assets are invested in international equities 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 and has appointed Advance Asset Management (a subsidiary of Westpac in Australia) as the underlying manager. Advance Asset Management currently passes all of the Scheme's funds invested in international equities to various sub-managers (namely, MFS, AQR Capital Management, Ramius Alternative Solutions, Lansdowne Partners, Schroder Investment Management, Trilogy Global Advisors and Tradewinds).

## 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:

As at 31 October 2015 the Trustees confirm that in their opinion, after due enquiry by them, neither of the following has materially and adversely changed since 30 June 2015:

- 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 2015 under the terms of the offer required by clause 7 of the Securities Act (Employer Superannuation Schemes) Exemption Notice 2009 relating to any funding shortfall.

## Actuarial report

A funding update of the Defined Benefit Section of the Scheme was carried out as at 30 June 2015. The purpose of the valuation was 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 preliminary results of the valuation show that there is a past service surplus, with the value of the net assets exceeding accrued liabilities by \$3.949m. This compares with a past service surplus of \$0.432m as at 30 June 2014. The improvement in the Scheme's financial position is mainly as a result of the investment returns being higher than the assumed return of 5.5% p.a. (after fees and after tax).

As noted in previous years' annual reports, the Trustees have agreed a formal funding policy with the Bank. Under the funding 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 Bank contributions are payable in order to meet the shortfall over a four-year period. If the ratio exceeds 105%, then the Bank contribution required to meet the cost of the future service benefits can be reduced. The defined benefit funding ratio as at 30 June 2015 was 105.5%.

The contributions recommended to be paid by the Bank are as follows:

- 0% of the salaries of defined benefit members;
- the actual credits to the employer accounts of InTandem 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 InTandem members.

These amounts are exclusive of Employer Superannuation Contribution Tax.

## Westpac's contributions

Westpac continued to contribute at a rate higher than required to fund future benefit accruals.

As outlined in the 2014 annual report, lump sum contributions were not required in respect of Defined Benefit members\*.

Westpac will continue to pay 12% of the salaries of Defined Benefit members.

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

## Pension increases

After seeking advice from the Actuary, the Trustees with the consent of the Bank where appropriate, approved an increase in pensions to help offset the cost of inflation and in line with the provisions of the Trust Deed. Effective 1 October 2015, pension payments were increased by 0.42% for all pensioners. This follows a 1.62% increase for Category 1 & 4 pensioners and a 0.25% increase for Category 2 & 3 pensioners the previous year.

## Trust Deed amendments

There was an amendment made to the Scheme's Trust Deed in the year ending 30 June 2015. The Trust Deed amendment dated 1 June 2015 allows qualifying members to make a first home withdrawal on similar terms to that provided under the KiwiSaver Scheme Rules.





# Summary financial statements

	2015 (\$)	2014 (\$)
<b>Summary Statement of Changes in Net Assets</b>		
Investment Activities		
Net Investment Income	31,336,668	43,031,665
Other Income		
Reimbursement of Expenses by Westpac	918,258	778,352
Group Life Claims (Westpac Life-NZ-Limited)	439,801	26,285
	1,358,059	804,637
Less		
Other Expenses		
Administration Fees	322,124	318,104
Actuarial and Consulting Fees	207,738	126,473
Auditors' Remuneration – Audit Fees	40,825	40,500
Taxation Services	22,598	11,558
Investment Consultancy Fees – Retainer	179,785	151,160
Legal Fees	179,786	60,049
Group Life Premiums – Westpac Life-NZ-Limited	585,464	864,317
Trustee Fees	5,709	3,424
Other Expenses	52,794	88,478
Total Other Expenses	1,596,823	1,664,063
Change in Net Assets before Taxation and Membership Activities	31,097,904	42,172,239
Income Tax Expense	419,128	(6,839,898)
Change in Net Assets after Taxation and before Membership Activities	31,517,032	35,332,341
Membership Activities		
Member Contributions	12,721,065	12,737,889
Employer Contributions	18,073,590	18,002,538
Less		
Benefits Paid	(38,802,653)	(44,040,240)
Net Membership Activities	(8,007,998)	(13,299,813)
Net Increase in Net Assets During Year	23,509,034	22,032,528
<b>Summary Statement of Net Assets</b>		
Assets		
Cash and Cash Equivalents	1,757,397	1,626,999
Financial Assets – at Fair Value Through Profit or Loss	364,045,822	342,392,455
Current Assets	1,434,638	809,590
Total Assets	367,237,857	344,829,044
Less		
Liabilities		
Benefits Payable	431,409	460,287
Trade and Other Payables	376,896	134,394
PIE Tax Payable	-	1,177,538
Income Tax Payable	-	110,535
Contributions Received in Advance – Member	-	14,917
Contributions Received in Advance – Employer	-	10,855
Total Liabilities	808,305	1,908,526
Net Assets Available to Pay Benefits	366,429,552	342,920,518
Vested Benefits*	360,648,000	341,847,000
<b>Summary Statement of Cash Flows</b>		
Net Cash Flows from Operating Activities	(7,875,889)	(14,374,100)
Net Cash Flows from Investing Activities	8,006,287	14,700,000
Net Increase/Decrease in Cash Held	130,398	325,900
Cash at Beginning of Year	1,626,999	1,301,099
Cash at End of Year	1,757,397	1,626,999

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

Cost of running the Scheme.

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

Shows how much the Scheme owns (total assets – \$367.2M) and how much the Scheme owes (total liabilities – \$808K).

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.



## Notes to summary financial statements

A summary of the Westpac New Zealand Staff Superannuation Scheme's (the "Scheme's") audited financial statements for the year ended 30 June 2015, which were authorised for issue on 10 November 2015 is shown on page 22 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 10 November 2015. 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



## Report of the Independent Auditors' on the Summary Financial Statements to the members of the Westpac New Zealand Staff Superannuation Scheme

The accompanying summary financial statements on pages 22 to 23 which comprise the summary statement of net assets as at 30 June 2015, the summary statement of changes in net assets, and the summary statement of cash flows for the year then ended, and related notes, are derived from the audited financial statements of Westpac New Zealand Staff Superannuation Scheme (the "Scheme") for the year ended 30 June 2015.

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.

Our audit of the financial statements for the year ended 30 June 2015 was completed on 10 November 2015 and our unmodified opinion was issued on that date. We have not undertaken any additional audit procedures in relation to those financial statements from the date of the completion of our audit and 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.

This report is made solely to the Scheme's members, as a body. Our work has been undertaken so that we might state those matters we are required to state to them in a report from the auditor 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 this report, or for the opinions we have formed. In addition, we take no responsibility for, nor do we report on, any part of the annual report not specifically mentioned in our report.

### Trustee's Responsibility for the Summary Financial Statements

The Trustee is responsible for the preparation and presentation of the summary financial statements in accordance with FRS-43: Summary Financial Statements (FRS 43).

### 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 are independent of the Scheme. Other than in our capacity as auditors we have no relationship with, or interests in, the Scheme.

### Opinion

In our opinion, the summary financial statements on pages 22 and 23 derived from the audited financial statements of the Scheme for the year ended 30 June 2015 are consistent, in all material respects, with those audited financial statements, in accordance with FRS 43.

### Restriction on Use of our Report

This report has been prepared for inclusion in the annual report. We disclaim any responsibility for reliance on this report or the amounts included in the summary financial statements, for any purpose other than that for which they were prepared.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', written over a light blue horizontal line.

Chartered Accountants Auckland

10 November 2015



# Directory

## Actuary and Administration Manager

Mercer (N.Z.) Limited

## Auditor

PricewaterhouseCoopers

## Insurer

Westpac Life-NZ-Limited

## Investment Consultant

Towers Watson Australia Pty Ltd

## Investment Manager

BT Funds Management (NZ) Limited

## Secretary & Complaints Officer

Andrew Taylor

Mercer (N.Z.) Limited

Level 18, 151 Queen Street

Auckland 1010

Ph: 09 928 3237

Email: [Andrew.Taylor@mercero.com](mailto:Andrew.Taylor@mercero.com)

## Making a complaint

We will do everything we can to resolve your complaint. Below are the options you have for making a complaint.

1. Call the helpline **0508 INTANDEM (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](mailto: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](mailto:info@fscl.org.nz)** or calling FSCL on **0800 347 257**.

Alternatively, you may write to FSCL at:

Financial Services Complaints Limited  
PO Box 5967, Lambton Quay  
Wellington 6145

Full details of how to access the FSCL scheme can be obtained from their website **[fscl.org.nz](http://fscl.org.nz)**.

## Solicitor

Simpson Grierson

## Tax Adviser

Deloitte

## Questions?

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

**Freephone: 0508 468 263**

**Internal Extn: 83995**

**Helpline hours:** 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.

