



Making Super Simple
Westpac New Zealand
Staff Superannuation Scheme
2017 Annual Report

Planning for your future is easy.
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Welcome to the Westpac New Zealand Staff Superannuation Scheme Annual Report 2017.



Welcome from the Chairman

The Scheme 2016 / 2017 year has been eventful politically and from a regulatory perspective.

Financial Markets Conduct Act

On 23 September 2016, the Scheme officially transitioned to the new Financial Markets Conduct Act regime, which aims to make it easier to compare one investment with another. The annual report now has to follow a new format which addresses seven specific questions about the Scheme and its management. Both the annual report and an annual member statement also must be issued within shorter timeframes.

There are a number of other documents which must be produced each year including a fund update. The fund update is a new document and is issued annually for each of the Scheme's investment options. The purpose of the fund update is to tell you how an investment option has performed over the past year and the fees charged, to help you compare it with other investment options.

A financial summary is no longer required in the annual report. Copies of the full audited financial statements are available from Documents & forms on the Scheme website, the Companies Office Disclose website or by calling the Helpline on 0508 468 263.

MySuper Planner and App

The MySuper Planner was launched in September 2016 and it is great to hear such positive feedback from members of the Scheme who are using this comprehensive planning tool. It is developed specifically for the Scheme and it takes your personal details into account once you sign in to your Westpac In-Tandem account on the westpacintandem.co.nz website.

It should help you plan how your Westpac In-Tandem savings can be built up during your employment and to understand how you can set your savings up as an income stream throughout your retirement years.

This tool factors in different conditions that could impact your savings, such as starting a family or buying an investment property. It even factors in external events like recessions.

More recently and as a result of your feedback Westpac has launched a "Westpac In-Tandem" app to help you access the website and associated tools faster from your mobile devices.

Performance

All investment funds delivered positive returns over the past 12 months to 30 June 2017, however recent market and political events mean that generally lower returns are expected for longer.

You need to continue to evaluate your own risk tolerance and how long you have until you may withdraw some or all of your savings. Generally when referring to investment timeframes, short term means less than three years, short to medium term means three to five years, medium term means five years, medium to long term means five to ten years and long term means ten years or more. The Scheme offers you a choice of five investment options so it is important you choose the option that's right for you.

As a member of the Scheme and an employee of Westpac you have access to authorised financial advisers. If you'd like their general advice about the Scheme you can get it at no cost to you. If you need more detailed advice, Westpac's authorised financial advisers can provide you with that advice, and with recommendations tailored to your individual situation. To find an adviser near you please go through Westpac's westpac.co.nz website.

Thank you

I am proud to be delivering another annual report and would like to thank you on behalf of all the Directors of Westpac New Zealand Staff Superannuation Scheme Trustee Limited for being a part of the Scheme. I look forward to seeing your savings grow.

I would like to acknowledge my fellow Directors, for their commitment to the Scheme and all its members. I would also like to thank the Bank and all the external service providers for their continuing support and efforts on behalf of members during the year.

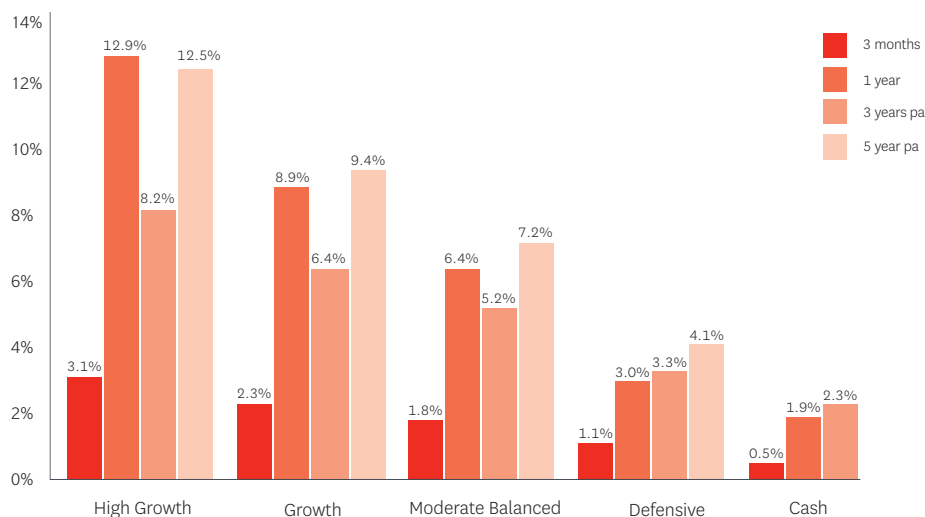


Bruce Kerr
Chairman

Westpac New Zealand Staff Superannuation Scheme Trustee Limited
(Trustee of the Scheme)

Investment Performance

The investment returns for each investment option provided by the Scheme are set out below after all investment fees and taxes have been deducted. The returns are shown as at 30 June 2017.



The defined benefit option is not included. This option is closed to new members. The performance of the defined benefit fund does not impact the lump sum benefits or pension incomes members receive once they retire.

The returns shown above are indicative of investment results and may differ from the actual after fees and tax returns achieved by you.

Your individual return within an investment option will depend on the timing of contribution payments and actual investment fees charged. The investment returns shown don't tell you how the investment options will perform in the future and members are reminded that past performance is not a reliable indicator of future performance.

What's going on in the markets and outlook

In the last twelve months, most asset classes were broadly impacted by the outcomes of the elections which took place in France, Italy, Germany, UK and the US and other political events which continue to play out in many countries. Even New Zealand was not immune to a few political surprises, starting with John Key's surprise resignation as the Prime Minister in December 2016. Despite the political unrest globally and at home, 2016 - 2017 year delivered positive returns for members in all the Schemes' investment options.

A closer look at the New Zealand economy shows that it is set to continue growing at a firm pace over the coming year. However, some of the big drivers of activity in recent years have started to slow, and we expect that growth will be at lower rates before the decade is over.

The outlook for the global economy is looking a bit brighter, with growth this year and next expected to pick up slightly around 3.5%. China remains the leader in global growth contributions, but as the gears shift up in other advanced economies such as the US, this could change the rankings of the top performers.

The US and Europe economies are starting to look a bit better, with growth, inflation, labour markets and confidence firming. Central banks have recognised that their economies are growing at a pace that can sufficiently operate with less monetary stimulus than before.

The US economy grew a solid 2.3% in second quarter of 2017, following a soft start to the year. President Trump's reform agenda ran into political roadblocks, and looming political battles about healthcare and the debt ceiling spooked financial markets. A spate of softer US economic data reinforced the trend.

Our closest neighbour, Australia, has seen some improvement in the economic conditions, rebounding from the softness of early 2017. However, it is expected that the economy will grow at a moderate rate of 2.8% over the coming year.

Against market expectations of an imminent slowdown, the Chinese economy continues to fire on all cylinders. As the world's second largest economy, it is no wonder investors are watching what's going on there very carefully. Concerns also remain as to the rate of growth, particularly with the crack down in financial regulation on the credit and liquidity markets, as well as concerns about the housing market there.

Overall, in the short term markets will continue to do well, but the rate of growth is expected to ease.

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

Statutory Information

1. Details of Scheme

This is the annual report for the Westpac New Zealand Staff Superannuation Scheme (Scheme) for the year ended 30 June 2017. The Scheme is a restricted employer-related workplace savings scheme. The manager and trustee of the Scheme is Westpac New Zealand Staff Superannuation Scheme Trustee Limited.

The Scheme's most recent product disclosure statement is dated 11 July 2017 and the Scheme is open for applications to the In-Tandem sections of the Scheme.

A fund update for each of the five investment options for the year ended 30 June 2017 was made publically available on 30 September 2017.

The Scheme's latest financial statements are for the year ended 30 June 2017. They were authorised for issue on 29 September 2017, and were lodged (with the auditor's report on those financial statements) with the Registrar of Financial Service Providers on 29 September 2017.

Copies of the fund updates and the financial statements (including the auditor's report) are available on westpacintandem.co.nz or by visiting the Scheme's register at www.companiesoffice.govt.nz/disclose.

2. Information on Contributions and Scheme Participants

This section provides a summary of changes in the membership of the Scheme over the year ended 30 June 2017.

At 1 July 2016, the total amount of members' accumulation relating to 3,905 members was \$352,750,312.

At 30 June 2017, the total amount of members' accumulation relating to 3,882 members was \$373,407,670.

MEMBERSHIP DETAILS	TOTAL CONTRIBUTING MEMBERS	NON-CONTRIBUTING MEMBERS				TOTAL
		INDIVIDUAL MEMBERS	DEFERRED MEMBERS	PENSIONERS	TOTAL	
At 1 July 2016	3,597	137	15	156	308	3,905
Contributory status change	4	-4	0	0	-4	0
Plus						
Transfers from other Schemes	0	0	0	0	0	0
Other new members	510	0	13	6	19	529
Total new members	510	0	13	6	19	529
Less						
Retirements	28	0	0	0	0	28
Retrenchment/redundancy	62	0	0	0	0	62
Deaths	2	0	0	12	12	14
Total & Permanent Disablement	2	0	0	0	0	2
Leaving service/resignation	433	0	12	0	12	445
Transfers to other Schemes	0	0	0	0	0	0
Other	0	0	0	1	1	1
Total leaving service withdrawals	527	0	12	13	25	552
At 30 June 2017	3,584	133	16	149	298	3,882

**CONTRIBUTIONS RECEIVED DURING THE YEAR
ENDED 30 JUNE 2017**

TYPE	NUMBER OF SCHEME PARTICIPANTS	TOTAL AMOUNT
Member contributions	4,053	\$12,422,098
Voluntary member contributions	0	\$0
Employer contributions	3,909	\$17,923,514
		\$30,345,612

Fees

When it comes to saving for your retirement, it's important that you pay as little money as possible in fees so that you can keep as much as possible in your retirement savings account. That's why Westpac pays for all direct administration fees and expenses associated with the Scheme. If there is a surplus in the Scheme, the fees are paid out of the surplus.

The only fees In-Tandem members 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 In-Tandem members and Westpac (or from the Scheme's surplus).

Defined Benefit members and pensioners do not pay any fees.

Fees the Bank paid

All direct administration fees and operating expenses associated with the Scheme are paid by Westpac. For the year ended 30 June 2017 Westpac paid \$936,401 or 0.25% of the Scheme's total assets to meet the operating expenses of this Scheme. In addition, the Scheme paid the insurance premium of \$916,330, which is related to In-Tandem death and total permanent disability benefits (subject to insurer acceptance).

Fees you pay

For In-Tandem members, investment management fees are charged as a percentage of your overall investment according to the investment option(s) you are invested in.

Fees as at 30 June 2017 for each investment option are:

INVESTMENT OPTION	INVESTMENT MANAGEMENT FEE P.A (% NET ASSET VALUE OF RELEVANT FUND*)
Cash Fund	0.17%
Defensive Fund	0.34%
Moderate Balanced Fund	0.55%
Growth Fund	0.66%
High Growth Fund	0.80%

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 Company Account balance.

* Based on the relevant investment fund's strategic asset allocation and size as at 30 June 2017.

3. Changes Relating to the Scheme

Trust Deed

The Scheme's Trust Deed was amended to align with the requirements of the Financial Markets Conduct Act 2013 (FMCA).

The FMCA is now the primary governing legislation for the Scheme (replacing the Superannuation Schemes Act 1989 and other legislation).

The FMCA introduced new governance and reporting obligations that apply to the Scheme. The amended Trust Deed is dated 31 August 2016, and took effect on 23 September 2016 (the date the Scheme transitioned to the FMCA regime).

Key changes made to the Trust Deed were:

- a requirement for one of the directors of the Trustee to be a licensed independent director;
- the custodianship of Plan assets, including flexibility to appoint an external custodian in place of the Trustee;
- permitted types of schemes to which leaving members can transfer their benefits;
- consistency with FMCA timing and standards for the preparation of financial statements, annual reports and other information and reporting;
- recording remuneration and indemnity rights of parties including the licensed independent director and investment manager, in accordance with the limits in the FMCA;
- recording Scheme participant meeting rights; and
- a general prohibition on related party benefits.

The Trust Deed was also subject to exceptions permitted in the FMCA, to provide more flexibility for member contributions during KiwiSaver contribution holidays, and to update language and correct minor drafting issues.

Statement of Investment Policy and Objectives

Key changes to the SIPO, partly required as a result of transitioning to the FMCA regime, were:

- added a policy on 'limit breaks', being any material breach of parameters set out in the SIPO;
- updated the asset allocation ranges for each investment fund;
- expanded the description of investment risks;
- specified permitted investments; and
- updated certain terminology.

Related party transactions

The Scheme holds no direct investments in any of the employer companies or any of its related parties. The Scheme received company contributions of \$17,923,514 (after deduction of ESCT).

Mercer (N.Z.) Limited as administrator of the Scheme is regarded as a related party in terms of the FMCA. Mercer provides the Scheme with a range of services including administration and secretarial services.

BT Funds Management (NZ) Limited as fund manager of the Scheme is regarded as a related party in terms of the FMCA.

Willis Towers Watson Australia Pty Ltd as investment consultant of the Scheme is regarded as a related party in terms of the FMCA.

All related party transactions were conducted on normal commercial terms and conditions during the year and were on an arm's-length basis.

Ethical Investing

On 21 April 2017, the Trustee adopted the Ethical Investment Policy (policy), which was implemented from 1 July 2017.

The purpose of this policy is to ensure the Trustee gives due consideration to ethical investment principles when investing the Scheme's assets.

The ethical criteria are specified in the Ethical Investment Policy document, which can be found on the Scheme's website westpacintandem.co.nz.

It is important to note the Scheme makes no direct investments; all of the Scheme's assets are invested through New Zealand wholesale investment products. For example BT Funds Management manages cash, New Zealand shares, New Zealand bonds, global equities, global bonds and alternatives. The Trustee sets the overall guidance as to the types of activity that are considered unethical, and where the Scheme invests is monitored and reviewed by the Trustee's investment adviser. The Scheme's Investment Implementation Manager is then required to report to the Trustee that the underlying investment managers who manage Scheme assets are complying with the policy.

The Trustee acknowledges that there can be diverse individual views as to the content of ethical investment principles. What may be imperative (ethically-speaking) for one individual may not be a concern for another. Further, the Trustee notes that distinguishing between companies in legitimate businesses and those acting unethically is inherently subjective.

If you have any queries, please do not hesitate to write to the Trustee:

Scheme Secretary: Andrew Taylor at Andrew.Taylor@mercero.com

4. Other Information For Particular Types of Managed Funds

Withdrawals made during the year to 30 June 2017

FULL WITHDRAWALS		PARTIAL WITHDRAWALS	
Retirements	28	First home	32
Retrenchment/redundancy	62	Significant financial hardship	8
Deaths	2	Total partial withdrawals	40
Total & Permanent Disablement	2		
Leaving service/resignation	445		
Total full withdrawals	539		

	UNITS ON ISSUE (Relates to In-Tandem sections only)		UNIT PRICE (\$)	
	1 JULY 2016	30 JUNE 2017	30 JUNE 2016	30 JUNE 2017
HIGH GROWTH	30,895,392.39	30,698,759.19	2.4328	2.7454
GROWTH	47,099,145.00	44,723,508.14	2.4481	2.6667
MODERATE BALANCED	21,803,996.99	23,134,610.69	1.3631	1.4504
DEFENSIVE	22,928,195.38	22,944,534.64	2.2757	2.3433
CASH	11,245,546.76	12,009,167.09	1.0908	1.1111
DEFINED BENEFIT			1.9699	2.1456

How investment earnings are worked out

Contributions made to the Westpac New Zealand Staff Superannuation Scheme are used to purchase what are known as 'units' in your chosen investment option(s). The number of units that your money purchases depends on the unit price at the time of purchase. For example, if \$1,000 is contributed and the unit price is \$1.00 at that time, then 1,000 units would be purchased on your behalf.

Unit prices are calculated weekly and fluctuate according to the investment performance of each investment option.

The value of your investment at any time is simply the number of units you own multiplied by their price at that time.

Actuarial Report

A funding update of the Defined Benefit Section of the Scheme was carried out as at 30 June 2016. The purpose of the funding update 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 returns of the funding update show that there was a past service shortfall with the value of acquired liabilities exceeding net assets by \$0.5m. In his funding update, the actuary recommended that the bank maintains its contribution rate at 12% of salaries*. The Bank continues to pay contributions at this rate. This may be reviewed on actuarial advice in the future.

*before Employer Superannuation Contribution tax.

2017 valuation not available at the time when this report is published.

Westpac's contributions

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

As outlined in the 2014, 2015 and 2016 annual reports, lump sum contributions were not required in respect of Defined Benefit members*.

Westpac will continue to pay 12% (before ESCT) of the salaries of Defined Benefit members at the present time. This may be reviewed on actuarial advice in the future.

* The Defined Benefit section includes certain 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 2016, pension payments were increased by 0.42% for all pensioners.



Trustee statement

The Trustee as manager of the Scheme states that:

- The rate or amounts of contributions paid have been in accordance with the recommendations contained in the most recent report of an actuary required under section 169 of the FMCA (and previous equivalent legislation) (a summary of the most recent actuarial report is on page 6).
- All the contributions required to be made to the Scheme in accordance with the terms of the Scheme's trust deed have been made.
- All the benefits required to be paid from the Scheme in accordance with the terms of the Scheme's trust deed have been paid.
- The market value of the Scheme's assets at 30 June 2017 equalled or exceeded the total value of 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 of all benefits being paid to members and other beneficiaries as at 30 June 2017.

On behalf of the Trustee;



Bruce Kerr
Independent Chairman of Trustee
22 September 2017

5. Changes to Persons Involved in the Scheme

On 1 July 2016 the Trustee became Westpac New Zealand Staff Superannuation Scheme Trustee Limited. The directors of the Trustee are:



Bruce Kerr

Independent Chairman of Trustee



Gina Dellabarca

General Manager, Human Resources & Corporate Affairs



Ian New

Chief Actuary



Jo McGregor

Head of Operational Excellence



Marc Proctor

Regional Manager, Wealth Northern & Indirect Channels



Simon Power

General Manager, Consumer Bank & Wealth



Tim McGuinness

Licensed Independent Trustee

There are no other changes to the Trustee or its directors during the year to 30 June 2017.

Who else is involved?

TITLE	NAME	ROLE
Administration manager; Actuary; Scheme Secretary; and Securities Registrar	Mercer (N.Z.) Limited	<ul style="list-style-type: none"> › Looks after the day-to-day running of the Scheme › Advises the Trustee about the Scheme's funding position › Supports and assists the Trustee directors, and › Holds Schemes's member register
Auditor	PricewaterhouseCoopers	Audits the Scheme's financial statements and the member register and provides custodian assurance report
Custodian	Westpac New Zealand Staff Superannuation Scheme Trustee Limited	Holds the assets of the Scheme
Insurer	Westpac Life-NZ-Limited	Insures the insured portion of the death and total and permanent disability benefits
Investment implementation manager	BT Funds Management (NZ) Limited	Responsible for investing the Scheme's assets in accordance with the statement of investment policy and objectives adopted by the Trustee
Investment consultant	Willis Towers Watson Australia Pty Ltd	Provides strategic oversight of the Scheme's investments including asset allocation advice, governance, and the setting of long term objectives. It also makes dynamic asset allocation decisions.

6. How To Find Further Information

You can find further information relating to the Scheme, including financial statements, annual reports, annual fund updates, the Scheme's Trust Deed and SIPO, in the offer register and the scheme register at www.companiesoffice.govt.nz/disclose (search Westpac New Zealand Staff Superannuation Scheme).

The above information is also available, at no cost, on our website at westpacintandem.co.nz or by contacting the Scheme Secretary whose contact details are set out below.

7. Contact Details and Complaints

If you have any questions about your Scheme or would like more information, you can contact the Trustee through the In-Tandem helpline and care of the Secretary to the Scheme.

Freephone: 0508 468 263

Internal Extn: 83995

Helpline hours: 9.00am to 7.00pm Monday to Friday

Andrew Taylor continues as Scheme Secretary. If you would like a copy of the Scheme's audited financial statements or copies of the Scheme's SIPO are available free of charge from Andrew.

Secretary to the Scheme

Andrew Taylor

Mercer (N.Z.) Limited (also the securities registrar)

Level 18, 151 Queen Street

Auckland 1010

Ph: 09 928 3237

Email: Andrew.Taylor@mercero.com

How to complain

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

Through the Trustee:

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.

Complaints Officer

Andrew Taylor

Mercer (N.Z.) Limited

Level 18, 151 Queen Street

Auckland 1010

Ph: 09 928 3237

Email: Andrew.Taylor@mercero.com

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

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.

FSCL will not charge a fee to a complainant to investigate or resolve a complaint.

Scheme Snapshot

AS AT 30 JUNE 2017



\$373 million

in retirement savings accumulated



3,882

active members and pensioners

