

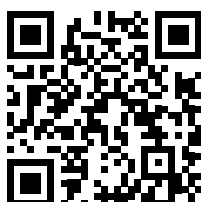


Firesuper

New Zealand Fire Service Superannuation Scheme

Annual Report for the year ended 31 March 2017

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firesuper.superfacts.co.nz





Your scheme **at a glance**

Year ended 31 March

	2017	2016	2015
Investment option*			
Cash	1.71%	2.27%	2.59%
Conservative	4.31%	3.22%	7.53%
Balanced	7.71%	4.07%	13.52%
Growth	10.28%	3.83%	16.21%
New members	103	102	108
Total members	1,913	1,875	1,853
New contributions (millions)	\$17.941	\$17.697	\$16.672
Benefits paid (millions)	\$19.095	\$24.263	\$25.378
Scheme net assets (millions)			
01 April (previous year)	\$380.168	\$372.299	\$339.449
31 March	\$407.002	\$380.168	\$372.299

*Earnings credited after expenses & tax

This report has been produced by the trustee to provide you with an understanding of how the scheme has operated over the 12 months to 31 March 2017. It should be read in conjunction with the scheme's product disclosure statement and the information available at www.firesuper.superfacts.co.nz and www.companiesoffice.govt.nz/disclose.

Chairman's report

The trustee is pleased to bring you this annual report for the year to 31 March 2017.

All in all it has been a good, if very busy, year for the scheme. The scheme's investments, particularly the international equities portfolio, have performed well, providing members with sound annual returns in a year which has seen investment markets rocked first by Britain's surprise decision to exit the European Union and then the unexpected election of Donald Trump as US President.

Last year's annual report and a letter sent to all members in late July 2016 noted that all registered superannuation schemes had until 1 December 2016 to transition to the new Financial Markets Conduct Act (FMC Act). We are pleased to advise that the scheme transitioned to the new regime on schedule in late September 2016.

Some aspects of the new legislation are apparent in this year's annual review. The time frames for issuing the annual confirmation (previously known as benefit statement) and annual report to members have been shortened and the audited financial statements and a new fund update document for each investment option must be uploaded to www.firesuper.superfacts.co.nz and the Companies Office Disclose website.

Another significant change is that under the FMC Act regime, the scheme's assets must be held by a company rather than individual trustees. As a result, a special-purpose trustee company, FireSuper Trustee Limited, has been established. The current trustees have become directors of the company. The New Zealand Fire Service Commission and the New Zealand Professional Firefighters Union will each continue to appoint three directors and those six directors will appoint an independent director who will

also be the scheme's licensed independent trustee. Tim McGuinness has been appointed to these roles.

Refer to the 'Trustee directors at FireSuper' document on the Documents & forms page on the scheme website for a profile of each director and the skills they bring to the trustee board.

When you leave the Fire Service, you can choose to continue to be a member of the scheme by advising us within one month of your cessation of service of your wish to do so. One of the main advantages of continuing your membership is that you can choose an investment option which includes higher-performing longer-term assets such as equities, but still make withdrawals at short notice.

For further information about deferred membership, refer to the fact sheet available under Member documents on the Documents & forms page of the scheme website.

Finally, I would like to thank my fellow trustee directors and the scheme's advisers for their assistance over the year.



Denis Fitzmaurice
Chairman
FireSuper Trustee Limited

Investment expectations

The scheme's investment options have been designed to give you distinct choices for the investment of your retirement savings. The options range from a low-risk Cash option, through to the higher-risk Growth option.

The trustee sets investment expectations for each option. These expectations vary across each investment option. In general, as investors look for higher returns, the likelihood of short-term negative returns ('risk') also increases.

Our expectations are generally set in relation to changes in consumer prices, because at the end of the day what matters is how your retirement savings have performed in relation to what your money will buy. The more we strive to 'beat' the Consumers Price Index (CPI), the greater the risk, so we set those expectations over longer time frames to allow for bad years as well as good. The expectations are based on what our investment consultant currently believes are the best estimates looking ahead for the returns and risks from investing in the various asset classes.

Our expectations, after deducting fees, administration expenses and tax, for the investment options are:

Growth

CPI plus 3% to 3.5% per annum over 10 years plus

Balanced

CPI plus 2.5% to 3% per annum over 10 years plus

Conservative

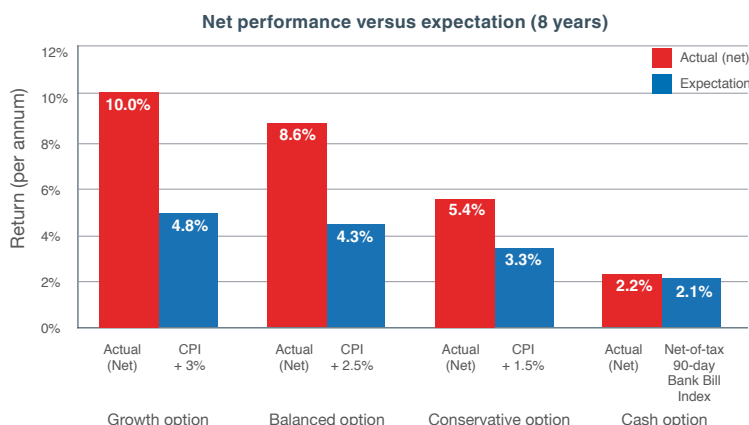
CPI plus 1.5% to 2% per annum over 10 years plus

Cash

To perform broadly in line with the after-tax movement of the S&P/NZX 90-day Bank Bill Index

The following graph shows each option's current investment expectation and progress towards achieving it:

Overall long-term performance for each investment option



- Measured after the deduction of investment fees and tax.
- The measurement period is eight years.

Outcome

Each investment option has exceeded its objective over the last eight years.

Investment managers

We engage managers for the different asset types and review the performance of each manager each quarter, meet them face to face once a year, or more often if necessary, and can change managers if we think that is in the best interest of members.

The managers and the asset classes they manage for the scheme are:

AMP Capital Investors:

- Australasian equities via Salt Asset Management
- International equities – manager of managers

Direct Capital Partners:

- New Zealand unlisted equities

First State Investments:

- Global listed infrastructure

Harbour Asset Management:

- Australasian equities

ANZ Investments:

- New Zealand fixed interest and cash & cash equivalents
- Global property via CBRE Clarion Securities

Implemented Investment Solutions

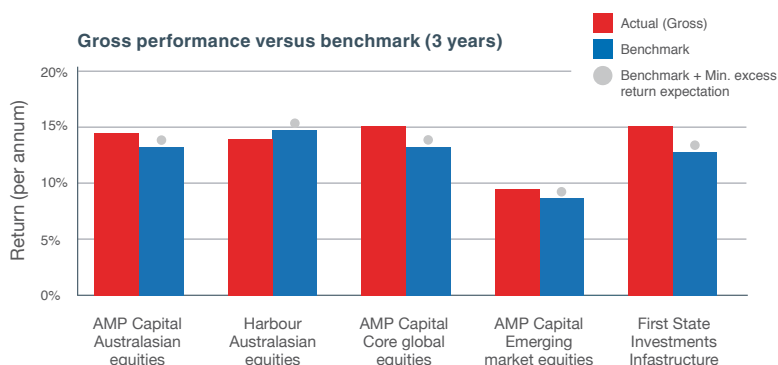
via Russell Investment Group:

- International fixed interest – manager of managers

The performance of each individual manager is regularly assessed against a 'benchmark' relevant to the asset class they are investing in. For example, if a manager is investing in international equities, their benchmark will be a margin against a relevant global share index measure. The following graphs show the managers' performance over the past three years.

Performance

Individual manager performance compared to benchmark

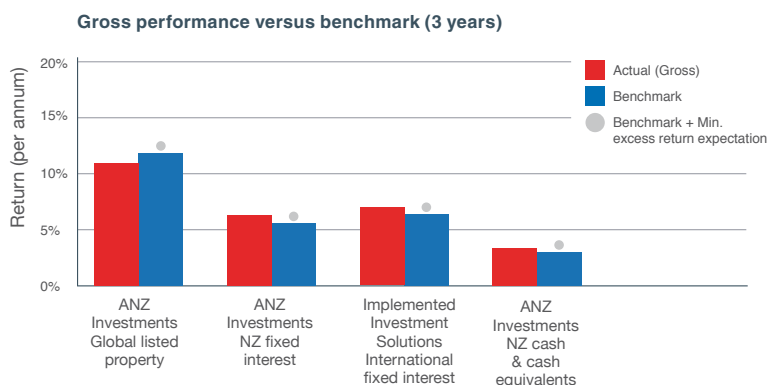


- Measured before the deduction of investment fees and tax.
- The measurement period is rolling three years.

Outcome

As the graphs show, shares posted the scheme's strongest average annual return over the last three years.

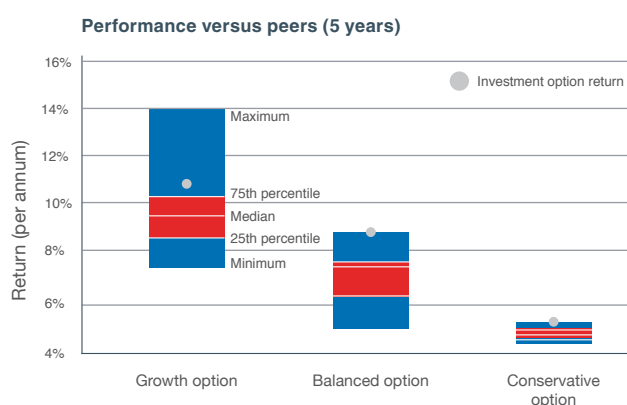
The aggregate manager performances for Australasian equities and global listed property did not meet their benchmarks and the trustee's set target over the three-year period. However, the trustee remains comfortable with the combination of managers used by the scheme.



Scheme costs

Investment option performance compared to KiwiSaver schemes

It's also important to know how the scheme's three main investment options have performed against other schemes with a similar mix of assets. The following chart compares the performance of the Growth, Balanced and Conservative options against the median (middle) manager in the Mercer survey of KiwiSaver schemes.



Measured after the deduction of fees and tax.

For each investment option the chart shows the range of returns by other providers.

The measurement period is rolling five years.

The performance of all three investment options is in the top 25% of its peers.

For further information about each option's investment performance, refer to the Fund updates which are available on the Documents and forms page of www.firesuper.superfacts.co.nz and also on www.companiesoffice.govt.nz/disclose.

Overall administration expenses and investment management fees for the year totalled \$2.830 million, up \$138,000 on last year. Administration expenses were up \$39,805 to \$654,295 this year.

Some investment managers deduct fees from inside their investment funds. Others directly bill the scheme for fees in accordance with their investment management agreements. The trustee discloses both types of investment fees paid in the expenses section of the scheme's financial statements.

The trustee uses an international method of measuring and comparing these expenses from year to year known as the 'Management Expense Ratio' (MER). This ratio shows the level and trend in scheme expenses for investment and administration compared against the total funds being managed. The MER comparison over the last five years is shown below:

To 31 March	Investment	Administration	Total
	MER (%)	MER (%)	MER (%)
2017	0.722	0.163	0.885
2016	0.553	0.163	0.716
2015	0.566	0.185	0.751
2014	0.536	0.165	0.701
2013	0.545	0.181	0.726

The total expense ratio increased over the year mainly as a result of performance fees charged in respect of the scheme's international equities exposure and one-off costs incurred as a result of the new Financial Markets Conduct Act.

As the table shows, most of the scheme's costs are investment related. The current investment related costs for the various investment options are shown below.

Investment option	Cost per \$100 invested
Cash	37 cents
Conservative	67 cents
Balanced	92 cents
Growth	\$1.01

Statutory information

1. Details of the scheme

This is the annual report for the New Zealand Fire Service Superannuation Scheme (scheme) for the year ended 31 March 2017. The scheme is a restricted workplace savings scheme. The manager and trustee of the scheme is FireSuper Trustee Limited (trustee).

The scheme's latest product disclosure statement is dated 15 September 2016 and the scheme is open for applications.

The first fund updates will be available by 30 June 2017.

The scheme's latest financial statements as at 31 March 2017, authorised for issue on 9 June 2017, were lodged with the Registrar of Financial Service Providers on 21 June 2017.

Copies of the financial statements (including the auditor's report) are available on www.companiesoffice.govt.nz/disclose or the Documents & forms page on www.firesuper.superfacts.co.nz.

2. Information on contributions and scheme participants

This section provides a summary of changes in the membership of the scheme and contributions made to the scheme over the year ended 31 March 2017.

Membership details

	Contributory	Non-contributory	Deferred	Total
At 1 April 2016	1,714	64	97	1,875
New members ¹	88	-	15	103
Total new members	88	-	15	103
Contributory status change	(1)	1	-	-
LESS				
Retirement	(30)	-	-	(30)
Resignation	(22)	-	(9)	(31)
Death	-	-	(2)	(2)
Loss of medical/physical fitness	(2)	-	-	(2)
Total withdrawals*	(54)	-	(11)	(65)
At 31 March 2017	1,747	65	101	1,913

¹There have been no transfers into the scheme during the year to 31 March 2017.

* There have been no transfers to other schemes

Members' accumulations

At 1 April 2016 = \$380.168 million relating to 1,875 members.

At 31 March 2017 = \$407.002 million relating to 1,913 members.

Contributions

Type	Number of members	Total amount
Member contributions	1,803	\$7,074,324
Voluntary member contributions	44	\$89,129
Member tax credits	58	\$29,676
Employer contributions	1,803	\$10,747,787
Total		\$17,940,916

3. Changes relating to the scheme

Trust deed

The scheme's trust deed has been amended to align with the requirements of the FMC Act.

Key changes made to the trust deed were:

- Updated terminology and new definitions
- Amendments reflecting that a corporate trustee now governs the scheme
- Updated indemnity provisions and delegation powers
- Provisions addressing the trustee's core FMC Act obligations regarding financial statements, record keeping, member statements, material error corrections, registers, annual reports, related party transactions, rights to information and reporting to the Financial Markets Authority; and
- Provisions addressing the trustee's obligations to maintain and comply with a statement of investment policy and objectives that meets FMC Act requirements.

Statement of investment policy and objectives

Key changes to the statement of investment policy and objectives were:

- The foreign currency strategy was reworded to clarify that for each diversified Member Investment Choice option the underlying target foreign currency exposure is approximately 50% of the international equities exposure.
- The real return expectation of each diversified investment option was amended as follows:
 - Conservative – from 1.5% to 1.5 - 2%
 - Balanced – from 3% to 2.5 - 3%
 - Growth – from 4% to 3 - 3.5%

Related party transactions

No material changes to the nature or scale of related party transactions occurred during the accounting period. However, for completeness, Mercer (N.Z.) Limited was engaged during the accounting period to provide communications services and accounting services to the scheme.

4. Other information for particular types of managed funds

Withdrawals

During the year to 31 March 2017, the following withdrawals were made from the scheme.

Withdrawal type	No. of members
Leaving service	
Retirement	30
Resignation	31
Death	2
Loss of medical/physical fitness	2
Total leaving service benefits	65
Inservice	
Early access	41
Financial hardship	1
Transfer to KiwiSaver scheme	1
Relationship property	5
Total inservice withdrawals	48

Credited earnings rates

Interim crediting rates are applied to the accounts of members who left the scheme during the period between 1 April 2016 and 31 March 2017. Interim crediting rates are calculated as members exit the scheme. The interim crediting rates that were applied during the year were as follows:

Cumulative earnings rate (%)	Cash Option	Conservative Option	Balanced Option	Growth Option
2016				
April	0.13	0.37	0.40	0.36
May	0.27	0.99	1.67	2.09
June	0.41	1.02	1.18	0.77
July	0.57	2.51	4.43	5.11
August	0.77	2.55	3.91	4.31
September	0.86	2.59	3.86	4.20
October	1.01	2.08	2.48	2.48
November	1.15	1.82	2.31	2.82
December	1.30	2.36	3.87	5.06
2017				
January	1.44	2.63	4.23	5.43
February	1.57	3.60	6.41	8.38
March	1.71	4.32	7.71	10.29

Manager's statement

The trustee as manager of the scheme states that:

- All contributions required to be made to the scheme were made and such contributions were in accordance with the scheme's trust deed.
- All the benefits required to be paid from the scheme in accordance with the scheme's trust deed have been paid.

The market value of the scheme's assets at 31 March 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 31 March 2017.

Locked-in complying fund section

The information below relates only to the complying fund section:

- At 31 March 2017, the market value of the assets subject to complying fund rules totalled \$4,143,346 relating to 114 members.
- The value of withdrawals subject to complying fund rules made during the year totalled \$358,196.

5. Changes to persons involved in the scheme

Trustee and manager

As noted in the Chairman's report, the scheme is now governed by a special-purpose trustee company, FireSuper Trustee Limited. The former trustees are now directors of FireSuper Trustee Limited and their responsibilities remain largely unchanged. FireSuper Trustee Limited is also the manager of the scheme.

At 31 March 2017, the directors of the trustee were:

Appointed by the Professional Firefighters Union

- Denis Fitzmaurice (Chairman)
- Boyd Raines
- Steve Warner

Appointed by the New Zealand Fire Service Commission

- Angela Foulkes
- Peter Harris
- Geoff Taylor

Independent trustee director and licensed independent trustee

- Tim McGuinness

There have been no changes to the manager or to the directors of FireSuper Trustee Limited or to its key personnel, or to the administration manager, investment managers or the auditor during the year to 31 March 2017.

Accounting services

During the year the Trustee terminated its contract with Kendons Chartered Accountants Ltd and instead appointed Mercer (N.Z.) Limited.

Securities registrar

The FMC Act requires a securities registrar to be appointed. Mercer (N.Z.) Limited is the scheme's registrar.

Refer to the directory on page 13 for details of the scheme's professional advisers.



6. How to find further information

Further information relating to the scheme, including audited financial statements, annual fund updates, the trust deed, product disclosure statement and statement of investment policy and objectives is available on the offer register and scheme register on **www.companiesoffice.govt.nz/disclose** (search NZ Fire Service Superannuation Scheme).

Copies of all scheme documents are also available on the Documents & forms page of **www.firesuper.superfacts.co.nz**.

Information relating to the scheme is also available from the scheme secretary by contacting her using the details on the next page. There is no charge for providing any of the above information.

7. Contact details and complaints

Contact details for the manager and securities registrar are:

Jan Barber

Mercer (N.Z.) Limited
PO Box 2897 Wellington 6140

P: **0800 MY SUPER** (0800 69 78737)
or 04 819 2600

F: 04 819 2699

E: nzfire.super@mercero.com

W: www.firesuper.superfacts.co.nz

Disputes and complaints

Disputes or complaints should initially be directed to the trustee care of the scheme secretary at the address to the left. The trustee is a member of an independent dispute resolution scheme operated by Financial Services Complaints Limited (FSCL). If you are not satisfied with the trustee's decision about your complaint, you may refer the matter to FSCL at the following address:

Financial Services Complaints Limited

4th Floor, 101 Lambton Quay
PO Box 5967, Wellington 6145

T: 0800 347 257 or (04) 742 3725

E: info@fscl.org.nz

FSCL won't charge a fee to investigate or resolve a complaint.

The disputes resolution procedure is set out in a fact sheet available from the Documents & forms page of **www.firesuper.superfacts.com**. You do not need to sign in to the website to access this information.

Privacy issues

The scheme's privacy officer reported that the scheme had complied with the Privacy Act and its principles throughout the year. No complaints related to privacy issues were received during the year.

Directory

Trustee directors

Appointed by the New Zealand Fire Service Commission

Angela Foulkes
Peter Harris
Geoff Taylor

Appointed by the New Zealand Professional Firefighters Union

Denis Fitzmaurice
Boyd Raines
Steve Warner

Independent trustee director and licensed independent trustee

Tim McGuinness

Administration

Administration manager & securities registrar

Mercer (N.Z.) Ltd

Auditor

Deloitte Limited

Investment consultant

Russell Investment Group Limited

Investment managers

AMP Capital Investors
ANZ Investments
Direct Capital
First State Investments
Harbour Asset Management
Implemented Investment Solutions

Solicitor

DLA Piper New Zealand

Administrator contact

P: 0800 MY SUPER (0800 69 78737)
or (04) 819 2600

E: nzfire.super@mercero.com

Scheme secretary / complaints officer / privacy officer

Jan Barber

Mercer (N.Z.) Limited
PO Box 2897, Wellington 6140

P: 0800 MY SUPER (0800 69 78737)
or (04) 819 2600

F: (04) 819 2699

E: nzfire.super@mercero.com

www.firesuper.superfacts.co.nz

Securities registrar

Mercer (N.Z.) Limited







