



Firesuper

New Zealand Fire Service Superannuation Scheme

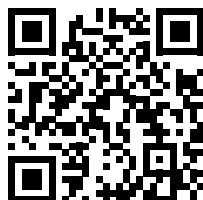
Annual Report for the year ended 31 March 2018

FIRE
EMERGENCY
NEW ZEALAND

WHAKARATONGA IWI



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Your scheme **at a glance**

Year ended 31 March

	2018	2017	2016
Investment option*			
Cash	1.63%	1.71%	2.27%
Conservative	4.21%	4.31%	3.22%
Balanced	6.47%	7.71%	4.07%
Growth	7.98%	10.28%	3.83%
New members	119	103	102
Total members	1,977	1,913	1,875
New contributions (millions)	\$18.781	\$17.941	\$17.697
Benefits paid (millions)	\$22.255	\$19.095	\$24.263
Scheme net assets (millions)			
01 April	\$407.002	\$380.168	\$372.299
31 March	\$429.065	\$407.002	\$380.168

* Interest 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 2018. 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

As Chairman of Trustee Directors, it is my pleasure to bring you the FireSuper Annual Report for the year ended 31 March 2018.

The markets have experienced an impressive run over the last few years, so it was not surprising to see a small correction this year, particularly as we consider how busy the political landscape has been over the same period. Despite a somewhat rocky finish, the 12 months to 31 March 2018 provided another strong year for investors, including members of FireSuper. All investment options delivered positive returns.

During the year and particularly this final quarter, US President Donald Trump was never far from the headlines, first clashing with North Korea over nuclear missile tests, then announcing tariffs on Chinese exports and blocking Chinese takeovers of US companies. In between, Trump also signed off on the largest tax cuts in US history, a US\$1.5 trillion deal, which should see increased corporate earnings and, with it, a modest boost to economic growth.

Markets going up and down can make us nervous, so I'd like to take this opportunity to remind you that "knee jerk" reactions can negatively impact your long-term savings. The option you invest in should be influenced more by your personal circumstances than how investment markets are performing. You should consider things like your age, changes in your family situation and when you are likely to withdraw your funds and only then consider changing your investment options.

During the year we have welcomed 119 members and I am particularly pleased to see members take advantage of the deferred membership option with 33 members choosing to stay in the Scheme after leaving Fire and Emergency New Zealand. If you have an important milestone coming up and are thinking of retiring or leaving the service, remember membership in the Scheme doesn't have to end. We have also introduced a regular deferred member withdrawal option, effective 1 February 2018.

- If you are considering or have reduced your contribution rate, I'd like to remind you that your minimum benefits on Death, Loss of Medical Fitness or Loss of Physical Fitness will be adjusted downward accordingly.

- As your FireSuper and other savings grow, your life circumstances change and if you have a family it is very important that you have and keep your Will up-to-date. Also review that your nominated beneficiaries are up-to-date at least once a year or as your circumstances change.
- More information about deferred membership, contribution rates and benefits associated with them and Will information can be found at www.firesuper.superfacts.co.nz.

The transition to the Financial Markets Conduct Act regime is now complete and with the role and responsibilities of the Trustee Directors becoming greater, I would like to thank my fellow Trustee Directors for their dedication and ongoing commitment to the Scheme and its members.

On behalf of all the Trustee Directors I would like to thank Angela Foulkes, who had a long involvement with the New Zealand Fire Service, as Secretary to the NZCTU and as a member of the Commission, for her valuable contribution over the past seven years.

We are pleased to welcome Brett Warwick as a new FENZ Board-appointed Trustee Director from 1 January 2018.

And finally, I would also like to take this opportunity to thank Peter Harris, who is leaving the Board on 30 June this year, for his significant contributions over eight years of service. Peter was an integral part of the far-reaching Peter Harris Report of 2010 into FireSuper.

I'd also like to thank all the Scheme's service providers, who continue to deliver outstanding services to our members.

The Scheme is in good shape as we look to the future.



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 to be 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% to 2.5% per annum over 10 years plus

Conservative

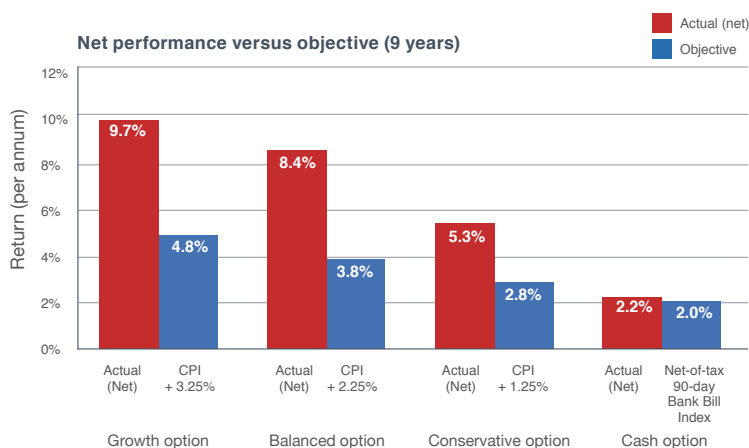
CPI plus 1% to 1.5% per annum over 10 years plus

Cash

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

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

Overall long-term performance for each investment option



Objective

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

Outcome

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

Investment managers

We employ managers for the different asset types and review the performance of each manager each quarter, meet them face-to-face once every two years, 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 class 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:

- International listed infrastructure

Harbour Asset Management:

- Australasian equities

ANZ Investments:

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

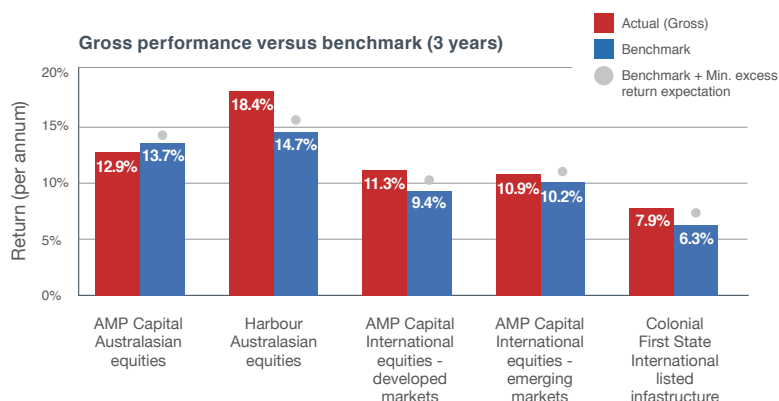
Russell Investment Group:

- International fixed interest – manager of managers

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

Performance

Individual manager performance compared to benchmark

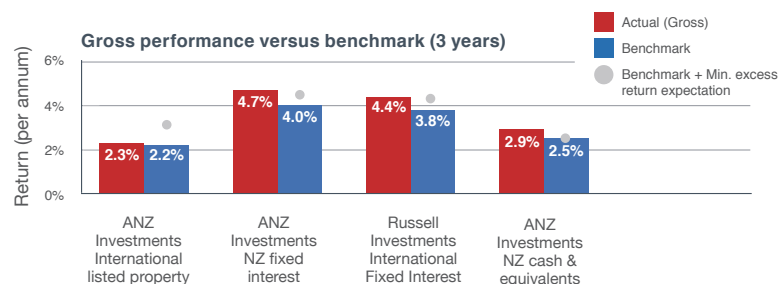


- Measured before the deduction of investment fees and tax.
- The measurement period is rolling three years.

Outcome

As the graphs show, Australasian equities posted the strongest average annual return over the last three years.

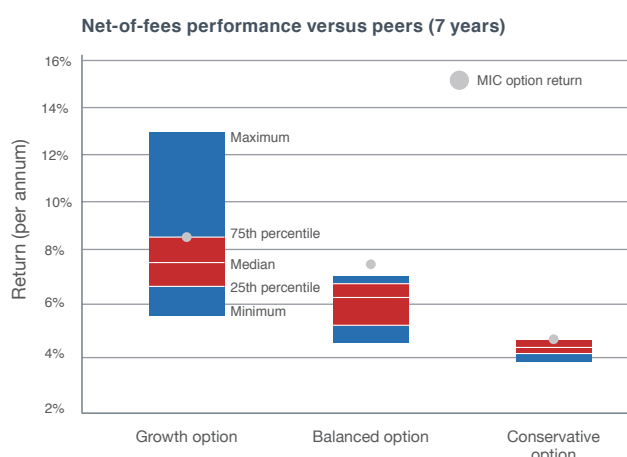
International listed property was the only overall asset class that didn’t at least match the benchmark plus the trustee’s set target over the three-year period. The trustee remains comfortable with the combination of managers used by the Scheme.



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 graph compares the performance of the Growth, Balanced and Conservative options against the Mercer survey of KiwiSaver schemes.



Measured after the deduction of investment fees, administration expenses and tax.

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

The measurement period is rolling seven years.

The Balanced and Conservative options sit at the top of their respective peer universes, while the Growth option is placed just outside 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 \$2.932 million, up from \$2.719 million on last year. Administration expenses were down \$45,927 to \$587,935 this year.

It is the account size and a member's investment choice that drives fees. For example, the more Growth assets a member has, the higher the investment related fees.

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 (%)
2018	0.739	0.151	0.890
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

The total expense ratio for this year was broadly in line with that for the previous year.

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	Investment related cost per \$100 invested
Cash	20 cents
Conservative	51 cents
Balanced	76 cents
Growth	87 cents

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 2018. 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 12 July 2017 and the Scheme is open for applications.

The fund updates as at 31 March 2018 for each of the investment options were made publicly available on 30 June 2018.

The Scheme's latest financial statements as at 31 March 2018, authorised for issue on 14 June 2018 were lodged with the Registrar of Financial Service Providers on 19 June 2018.

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 over the year ended 31 March 2018.

Membership details

	Contributory members	Non-contributory members	Non-contributory Deferred members	Total Non-contributory members	Total
At 1 April 2017	1,747	65	101	166	1,913
New members	119	0	33	33	152
Members transferring from other schemes	0	0	0	0	0
Total new members	119	0	33	33	152
Contributory status change	6	(6)	0	0	0
LESS					
Retirement	(45)	0	0	0	(45)
Death	(6)	0	(2)	(2)	(8)
Resignation	(27)	0	(8)	0	(35)
Transfer to other schemes	0	0	0	0	0
Other exits	0	0	0	0	0
Total Exits	(78)	0	(10)	(10)	(88)
At 31 March 2018	1,794	59	124	183	1,977

Members' accumulations

At 1 April 2017 = \$407,002 million relating to 1,913 members

At 31 March 2018 = \$429,065 million relating to 1,977 members

Contributions

Type	Number of members	Total amount
Member contributions	1,865	\$7,395,672
Member voluntary additional contributions	48	\$115,970
Employer or other sponsor contributions		\$11,269,671
- Member tax credits	59	\$28,368
- Employer contributions	1,865	\$11,241,303
Total		\$18,781,313

3. Changes relating to the scheme

Trust deed

There were no amendments to the trust deed during the year.

Terms of offer of interests in the Scheme

There have been no material changes to the terms of offer of interests in the Scheme during the year.

Related party transactions

There were no material changes to the nature or scale of the related party transactions. For completeness, Mercer (N.Z.) Limited was engaged during the year to provide a regular drawdown facility for Deferred Members, additional Financial Markets Conduct Act Compliance Services and additional services to support the trustee's Custodial reporting requirements.

Statement of investment policy and objectives

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

- The return component of the investment expectations for both the Growth and Balanced options was reduced in mid-2017. This change largely reflected lower prospective performance from income assets and was based on updated modelling provided by the Scheme's investment consultant. Specifically, the "CPI plus" investment expectations were reduced from 2.5-3% to 2-2.5% for the Balanced option, and from 1.5-2% to 1-1.5% for the Conservative option.
- In early July 2017, the strategic international listed property exposure within both the Growth and Balanced options was reduced by 2.5%, with a corresponding increase in the strategic exposure to international listed infrastructure.

4. Other information for particular types of managed funds

Withdrawals

During the year to 31 March 2018, the following withdrawals were made from the Scheme.

Full withdrawals	Number of members	Partial withdrawals	Number of members
Retirement	45	Early access	64
Resignation	35	Deferred access	112
Death	8	Relationship Property	6
Total full withdrawals	88	Total partial withdrawals	182

Credited earnings rates

Interim crediting rates are applied to the accounts of members who left the Scheme during the period between 1 April 2017 and 31 March 2018. Interim crediting rates are calculated as members exit the Scheme. The interim crediting rates that were applied during the year were as follows:

Monthly earnings rate (%)	Cash Option	Conservative Option	Balanced Option	Growth Option
2017				
April	0.14	0.80	1.46	1.86
May	0.15	0.38	0.59	0.65
June	0.14	-0.01	-0.13	-0.16
July	0.15	0.36	0.57	0.67
August	0.13	0.70	1.29	1.60
September	0.13	0.42	0.72	1.03
October	0.14	1.10	2.30	3.26
November	0.14	0.47	0.96	1.30
December	0.14	0.36	0.64	0.88
2018				
January	0.14	0.45	0.76	1.17
February	0.12	-0.36	-1.35	-2.00
March	0.10	-0.53	-1.46	-2.42



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 2018 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 2018.

On behalf of the trustee:



Director

14 June 2018

Locked-in complying fund section

The information below relates only to the complying fund section:

- At 31 March 2018 the market value of the assets subject to complying fund rules totalled \$4,600,675 relating to 106 members.
- The value of withdrawals subject to complying fund rules made during the year totalled \$213,881.

5. Changes to persons involved in the scheme

Trustee and manager

The Scheme is governed by a special-purpose trustee company, FireSuper Trustee Limited. FireSuper Trustee Limited is also the manager of the Scheme. At 31 March 2018, the directors of the trustee were:

Appointed by the Professional Firefighters Union

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

Appointed by Fire and Emergency New Zealand

- Peter Harris
- Geoff Taylor
- Brett Warwick

Independent trustee director and licensed independent trustee

- Tim McGuinness

Trustee director changes

Angela Foulkes resigned as a trustee director on 31 December 2017.

Brett Warwick was appointed as trustee director 1 January 2018.

There have been no changes to the Scheme's service providers during the year. These providers are listed in the Directory on page 13. There have been no changes to the key personnel of FireSuper Trustee Limited during the year to 31 March 2018.

Your **trustee directors**



Denis Fitzmaurice

Denis began his career with the Fire Service in 1980, having spent the previous five years in the banking industry. His Fire Service career involves 33 years as an operational Firefighter and Officer, with the last five years seconded to a Black Watch role. He is a Life Member of the New Zealand Professional Firefighters Union, and formerly served as South Island President and as a member of the National Committee. Currently he is Chairman of trustees and has been a trustee since 2006.



Brett Warwick

Brett has been Chief Financial Officer at the New Zealand Fire Service (now FENZ) since 1999. In addition to finance, at various times Brett has also been responsible for the organisation's risk and project management, business and strategic planning, and its Procurement, Asset, ICT, and Legal divisions. Brett was also a Scheme Trustee from 2007 to 2008.



Peter Harris

Peter worked in the research and advocacy divisions of the PSA, Combined State Unions and CTU between 1976 and 1999. He was the economic advisor to Finance Minister Michael Cullen from then until 2002. He has been involved in the design and revision of various superannuation schemes, including chairing the group that designed what evolved into KiwiSaver. He carried out a comprehensive review of FireSuper in 2008.



Tim McGuinness

Tim has held trustee and director positions with substantial New Zealand based investment management organisations and funds for over 15 years. He has extensive specialist knowledge and experience built up through involvement with managing and administering investment funds for over 26 years. As well as being the scheme's licensed independent trustee, Tim is also a trustee of a number of other large superannuation schemes including the Westpac Staff Superannuation Scheme, the Rio Tinto New Zealand Retirement Fund and the Police Superannuation Scheme. He chairs the Dairy Industry Superannuation Scheme trustee board. His directorships include Whai Rawa Fund Ltd and

Unimed, a health insurer. He was on the Board of the Government Superannuation Fund Authority for 10 years (including three as Chair) and the Board of the Earthquake Commission for eight years. These positions followed senior funds management roles with Royal & SunAlliance and Norwich Union / State Insurance.



Boyd Raines

Boyd was appointed a trustee in December 2013 by the New Zealand Professional Firefighters Union and has completed the Workplace Savings NZ trustee education programme.



Geoff Taylor

Geoff is a director and manager of Dairy Investment Fund Limited and TDB Advisory Limited. Dairy Investment Fund Limited is a specialised private equity vehicle in the dairy sector and has a range of investments in the dairy sector. TDB is a NZ corporate finance and economics advisory business involved in funds management, treasury, economic analysis and public policy. Geoff is a Fellow of the Institute of Finance Professionals of NZ.



Steve Warner

Steve retired from the New Zealand Fire Service after 42 years' service in 2013. He is a Life Honorary Member of the New Zealand Professional Firefighters Union and served on the National Committee of the Union for 25 years, including two terms as National President. He was appointed as a trustee by the Union in 1994. Steve had been a trustee of the Scheme for 19 years and is the past Chairman of trustees, a position he held for 10 years. He is currently retired and lives in Christchurch, his home town. Steve was reappointed as a trustee in September 2015.

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. There is no charge for requesting 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 above. 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.co.nz. 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 Professional Firefighters Union

Denis Fitzmaurice (Chairman)

Boyd Raines

Steve Warner

Appointed by Fire and Emergency New Zealand

Peter Harris

Geoff Taylor

Brett Warwick

Independent trustee director and licensed independent trustee

Tim McGuinness

Administration

Administration manager

Mercer (N.Z.) Limited

Auditor

Deloitte

Investment consultant

Russell Investment Group Limited

Investment managers

AMP Capital Investors Limited

ANZ Investments

Direct Capital Limited

First State Investments

Harbour Asset Management

Implemented Investment Solutions

Solicitor

DLA Piper

Securities registrar

Mercer (N.Z.) Limited

Scheme secretary / complaints officer / privacy officer

Jan Barber

Mercer (N.Z.) Limited

PO Box 2897, Wellington 6140

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