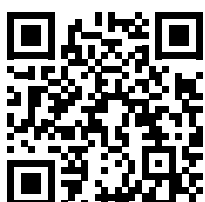


Annual Report


Firesuper

New Zealand Fire Service Superannuation Scheme
Annual Report for the year ended 31 March 2020



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firesuper.superfacts.co.nz



Your Scheme **at a glance**

Year ended 31 March

	2020	2019	2018
Investment option*			
Cash	1.26%	1.70%	1.63%
Conservative	0.71%	3.30%	4.21%
Balanced	-3.01%	5.79%	6.47%
Growth	-5.96%	6.99%	7.98%
New members	127	159	119
Total members	2,091	2,045	1,977
Contributions (millions)**	\$21.554	\$19.897	\$18.781
Benefits paid (millions)	\$27.090	\$23.612	\$22.255
Scheme net assets (millions)			
01 April	\$449.414	\$429.065	\$407.002
31 March	\$429.443	\$449.414	\$429.065

*Earnings credited after expenses & tax

**Including transfers into the Scheme

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 2020. 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.disclose-register.companiesoffice.govt.nz.

Chairman's report

As Chairman of the Trustee Directors, I am pleased to present the FireSuper Annual Report for the year ended 31 March 2020.

After an extended period of overall positive returns, financial markets were affected by the implications of the coronavirus towards the year end.

Share markets and fixed interest securities both performed well during 2019. However, as the global pandemic emerged at the start of 2020, investor uncertainty drove share market sell-offs, and generally defensive assets such as airports, offices, toll roads, and shopping centres were all negatively impacted by lockdowns and reduced demand.

As a result of the heightened volatility in the final months of the financial year, the Growth and Balanced investment options both experienced declines, while conservative and cash remained positive. You can read more about investment markets and Scheme performance over the long-term, compared with other KiwiSaver schemes, and asset class performance on pages 2 to 4.

The response to the crisis from policy makers has been swift and aggressive. Central banks have drastically cut interest rates and implemented programmes aimed to get cash back into the country to support local economies while they battle the coronavirus pandemic.

The possibility that the Reserve Bank of New Zealand will introduce negative interest rates at some point has been raised by several economic commentators. It is unclear whether this would lead to savers paying to keep their money in the bank. However, what is certain is that such a regime would further reduce the returns they could earn. While negative interest rates would also impact members in the Scheme's Cash option, it is important to remember that investing in the Cash option is not the same as cash in the bank. For example, the Cash option invests in term deposits as well as cash-like investments such as short-term bonds issued by the government, local authorities, companies and banks.

The Scheme remains strong despite recent market ups and downs. Periods of increased market movements can be daunting as the future remains uncertain. There are several tools available to help you with financial planning, and achieving your retirement savings goals.

These include:

- **Scheme website:** www.firesuper.superfacts.co.nz that includes a video explaining market volatility and how share market cycles work along with a recently published article from our investment consultant, Russell Investments, about how members might best respond to sharp falls in share markets.
- **Sorted.org.nz:** has online retirement planning, budgeting, and risk profile tools that may help you establish or refine your savings goals.
- **Financial advice:** the Financial Markets Authority has a list of financial advisers published on their website www.fma.govt.nz.

This year we welcomed 96 new members, and 31 members decided to remain in the Scheme after leaving Fire and Emergency New Zealand. The Scheme supported 290 members with accessing some of their funds, and paid \$27.0 million in benefits. Net assets reduced to \$429.4 million at 31 March 2020, from \$449.4 million the year prior, due to the investment market movements and impact from the coronavirus towards the end of the reporting year.

On behalf of all Trustee Directors, I would like to thank Geoff Taylor and Brett Warwick who resigned as Trustee Directors on 11 July 2019 and 17 July 2019 respectively, for their long service to the Scheme. I also welcome Murray Coppersmith and Martin Dalglish who were appointed as Trustee Directors during the year. You can read more about the Trustee Directors on pages 9 and 10.

Finally, I wish to thank my fellow Trustee Directors and the Scheme's advisers for their ongoing assistance over the year. This report contains important information about your retirement savings, and performance of the Scheme so I encourage you to take a moment and read this report.



Denis Fitzmaurice
Chairman
FireSuper Trustee Limited

Investment expectations

The Scheme offers you a choice of four investment options that have been designed to give you the ability to choose a solution that best matches your personal preferences and life stage. The choices range from a low-risk Cash option, through to the higher-risk Growth option that is invested predominantly in assets such as shares and property.

The Trustee sets investment expectations for each investment option based on the underlying asset allocation. These expectations vary across each investment option according to the characteristics of the underlying investments. For example, the Cash option is constructed with a focus on there being negligible risk of a member incurring any loss in any year, while other options aimed at potentially higher returns increase the likelihood and magnitude of short-term negative returns ('risk').

Our return 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 Consumer 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.

More information about the Scheme's investments can be found in the Statement of Investment Policy and Objectives (SIPO), available for download from www.firesuper.superfacts.co.nz and www.disclose-register.companiesoffice.govt.nz.

As at 31 March 2020, our return expectations, after deducting fees, administration expenses and tax, for the investment options were:

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

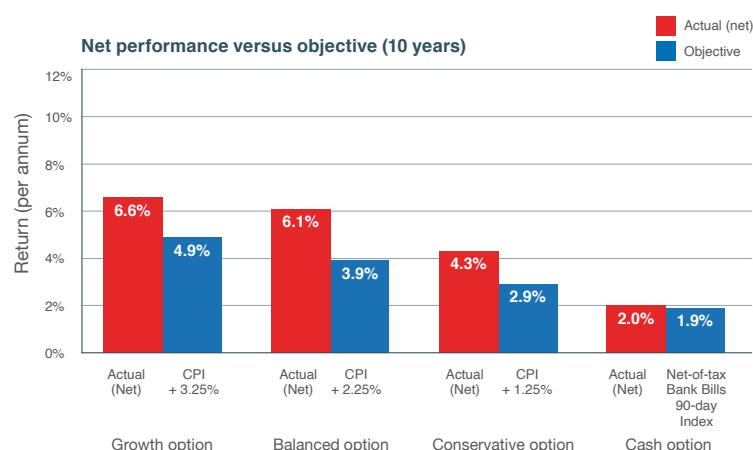
Reflecting lower forward-looking returns for, in particular, cash and fixed interest type investments, it is anticipated that the return expectation for the Conservative option may be revised downwards.

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 net performance against expectation over the last 10 years:

Overall long-term performance for each investment option



Outcome

Each investment option has exceeded its expectation over the last 10 years. This was primarily due to the strong performance of growth assets (shares and listed property) over the period. Low inflation was also a factor that contributed to this outperformance.

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 change managers if we think that this 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 Resolution Capital

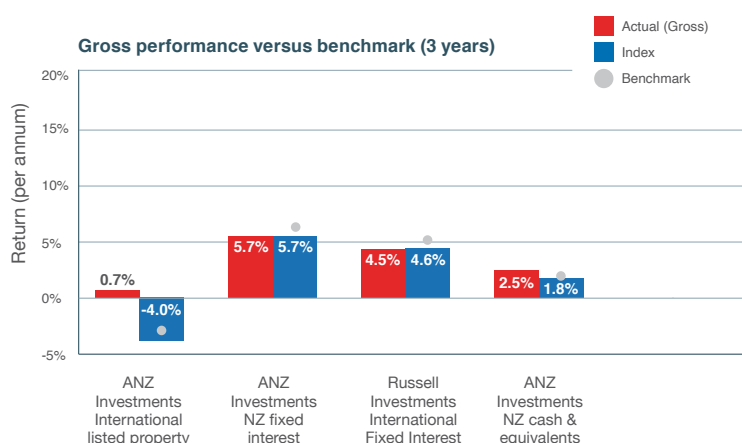
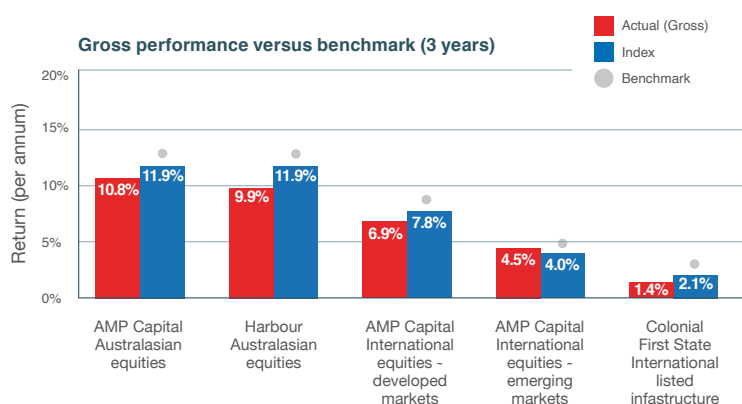
Russell Investment Group:

- International fixed interest – manager of managers

Performance

The performance of each manager is regularly assessed against a 'benchmark' relevant to the asset class in which it invests. For example, if a manager is investing in international equities, its benchmark will be a margin over an appropriate international equities index. The following graphs show the managers' performance over the past three years.

Manager performance compared to benchmark



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

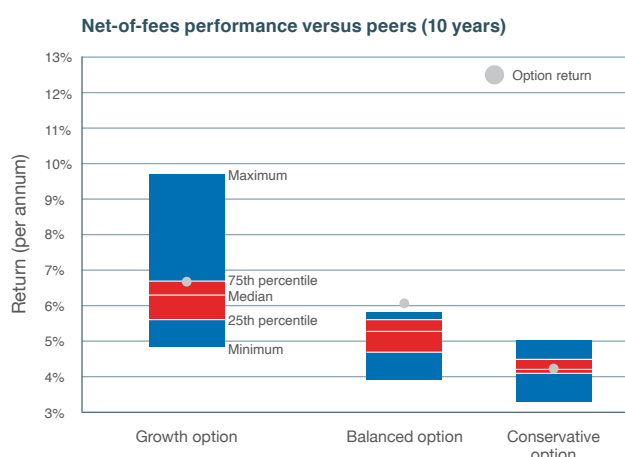
Outcome

All managers (with the exception of those for international listed property and NZ cash) failed to meet the targets set by the Trustee over the three-year period, although the emerging markets (equities) and NZ fixed interest sectors met or exceeded their market benchmarks. The Trustee continues to monitor 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 relative to other schemes with a similar mix of assets. The following graph 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 investment fees, administration expenses and tax.

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

The measurement period is over 10 years.

The Balanced option sits at the top of its respective peer universe, while the Growth option sits just outside the top 25% of its peers and the Conservative option sits just above the median of its peers.

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

Overall administration expenses and base investment management fees (excluding performance fees) for the year totalled \$3.091 million, up from \$2.982 million last year. Administration expenses were up \$110,153 to \$677,043 this year.

Some investment managers deduct fees directly from their investment funds. Others bill the Scheme for fees in accordance with the investment management agreements in place. 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 as a percentage of the total funds being managed. The MER comparison over the last five years is shown below:

To 31 March	Investment MER (%)	Administration MER (%)	Total MER (%)
2020	0.584	0.154	0.739
2019	0.389	0.129	0.518
2018	0.739	0.151	0.890
2017	0.722	0.163	0.885
2016	0.553	0.163	0.716

The total expense ratio for the year increased from last year although it is still below what it was in the two prior years. The primary reason for this year's increase is that last year the Scheme's global shares portfolio had a negative performance fee which resulted in 2019's investment management fees being unusually low.

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	21 cents
Conservative	43 cents
Balanced	60 cents
Growth	66 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 2020. 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 27 June 2019 and the Scheme is open for applications. The Product Disclosure Statement is currently being updated.

The fund updates, as at 31 March 2020, were made available on 14 July 2020 on www.disclose-register.companiesoffice.govt.nz.

The Scheme's latest financial statements as at 31 March 2020, authorised for issue on 30 June 2020 were lodged with the Registrar of Financial Service Providers on 3 July 2020.

Copies of the financial statements (including the auditor's report) are available on www.disclose-register.companiesoffice.govt.nz 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 2020.

Membership details

	Contributory members	Non-contributory members	Non-contributory Deferred members	Total non-contributory members	Total
At 1 April 2019	1,848	51	146	197	2,045
New members	96	0	31	31	127
Members transferring from other schemes	0	0	0	0	0
Total new members	96	0	31	31	127
Contributory status change	0	0	0	0	0
LESS					
Retirement	(8)	(1)	0	(1)	(9)
Resignation	(15)	(7)	(11)	(18)	(33)
Death	(2)	0	(1)	(1)	(3)
Transfer to deferred	(31)	0	0	0	(31)
Loss of physical / medical fitness	(4)	0	0	0	(4)
Transfer to other schemes	(1)	0	0	0	(1)
Total exits	61	8	12	20	81
At 31 March 2020	1,883	43	165	208	2,091

Members' accumulations

At 1 April 2019 = \$449.414 million relating to 2,045 members

At 31 March 2020 = \$429.443 million relating to 2,091 members

Contributions

Type	Number of members	Total amount
Member contributions	1,947	\$8,253,251
Member voluntary additional contributions	64	\$188,348
Employer or other sponsor contributions	1,947	\$12,538,228
Government contributions*	69	\$31,421
Total		\$21,011,248

* Contributions paid to the Scheme by the Government for members with locked-in funds in the complying fund section.

3. Changes relating to the Scheme

Trust Deed

The Trust Deed was amended on 19 February 2020 to reinstate a bankruptcy clause that had been removed in error.

Investment expectations

Reflecting lower forward-looking returns for cash investments, it is anticipated that the risk expectation for the Cash option may be revised upwards.

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.

Reflecting lower forward-looking returns for, in particular, cash and fixed interest type investments, it is anticipated that the return expectation for the Conservative option may be revised downwards.

Statement of investment policy and objectives

There have been no changes to the SIPO during the year to 31 March 2020.

Related party transactions

There were no material changes to the nature or scale of related party transactions and there were no related party transactions that were not on arms-length terms.

4. Other information for particular types of managed funds

Withdrawals

During the year to 31 March 2020, the following withdrawals were made from the Scheme.

Full withdrawals	Number of members	Partial withdrawals	Number of members
Retirement	9	Early access	108
Resignation	33	KiwiSaver transfer	1
Death	3	Relationship property	11
Transfer to deferred	31	Deferred access	89
Transfers to other schemes	1		
Loss of physical/medical fitness	4		
Total full withdrawals	81	Total partial withdrawals	209

Credited earning rates

The monthly earning rates that were credited to members' accounts over the year ended 31 March 2020 were as follows:

Monthly earning rate (%)	Cash option	Conservative option	Balanced option	Growth option
2019				
April	0.13%	0.80%	1.76%	2.58%
May	0.16%	0.02%	-0.67%	-1.44%
June	0.12%	0.97%	1.69%	2.04%
July	0.14%	0.86%	1.56%	1.99%
August	0.15%	0.51%	0.33%	-0.21%
September	0.09%	0.27%	0.91%	1.44%
October	0.08%	0.25%	0.65%	1.06%
November	0.06%	0.51%	1.21%	1.86%
December	0.07%	-0.06%	0.11%	0.30%
2020				
January	0.10%	0.94%	1.51%	1.53%
February	0.12%	-0.65%	-3.04%	-4.85%
March	0.04%	-3.61%	-8.58%	-11.49%
Year ended 31 March 2020	1.26%	0.71%	-3.01%	-5.96%



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 2020 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 2020.

On behalf of the Trustee:



Denis Fitzmaurice
Chairman
FireSuper Trustee Limited
8 July 2020

Locked-in complying fund section

This information only relates to the complying fund section:

- At 31 March 2020 the market value of the assets subject to complying fund rules totalled \$5,209,480 relating to 127 members.
- The value of withdrawals subject to complying fund rules

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 2020, 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

- Angela Hauk-Willis
- Murray Coppersmith
- Martin Dalglish

Independent Director and Licensed Independent Trustee

- Andrew Johnson

Trustee Director changes

Andrew Johnson was appointed as the Licensed Independent Trustee effective 1 April 2019.

Geoff Taylor and Brett Warwick were reappointed as Trustee Directors with effect from 1 April 2019, and subsequently resigned as Trustee Directors on 11 July 2019 and 17 July 2019 respectively.

Darryl Purdy was appointed as a Trustee Director effective 9 September 2019, and subsequently resigned effective 1 January 2020.

Murray Coppersmith was appointed as a Trustee Director effective 9 September 2019, and Martin Dalglish was appointed as a Trustee Director effective 1 January 2020.

There have been no changes to the Scheme's service providers during the year. These providers are listed in the Directory on page 11.

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 the Chairman of the Trustee and has been a Board member since 2006.



Andrew Johnson

Andrew Johnson joined the FireSuper Board on 1 April 2019 as the Licensed Independent Trustee. Andrew has extensive and broad investment and superannuation industry knowledge. He has held senior roles with a number of New Zealand's leading financial services organisations, dating back to the 1980s. Over this time, Andrew has held various associations with FireSuper, including leading Russell Investments' provision of investment consulting services to the Scheme for six years until mid-2018.

Andrew also serves as an investment committee member for a number of entities, provides ongoing advisory services to a retail managed fund provider, and undertakes ad hoc consulting projects from time to time.



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.



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 to the Board in September 2015.



Angela Hauk-Willis

Angela has been a Board member of the New Zealand Fire Service Commission and subsequently of Fire and Emergency New Zealand from 2011 to 2018, and brings experience in the establishment, operation, and governance of superannuation schemes. Angela is a former Deputy Secretary at Treasury.



Murray Coppersmith

Murray worked at PwC for 34 years, including 24 years as a partner and has worked in New Zealand and overseas. During his career at PwC Murray's responsibilities included a period on the Board of PwC New Zealand, as well as being lead partner of the Corporate Finance team and, more recently, of the Finance and Economics team. Murray brings experience in governance, business valuation and financial evaluation.



Martin Dalglish

Martin had held board positions with NZL Group Limited, a large transport and logistics company, with the Skylight Trust, a charitable trust providing support to children, families, and whanau going through loss, trauma or grief. Martin is a partner in the law firm, Dentons Kensington Swan, specialising in acquisitions, joint ventures, governance and strategic contracts. He has held positions on the board of the firm and as head of the firms' Advisory practice.

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.disclose-register.companiesoffice.govt.nz (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:

Philippa Kalasih

Scheme Secretary and Complaints Officer
New Zealand Fire Service Superannuation Scheme
C/- Mercer (N.Z.) Limited
PO Box 2897
Wellington 6140

P: (04) 819 2600

E: nzfire.super@mercercor.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

Level 4, 101 Lambton Quay
Wellington 6011
PO Box 5967
Wellington 6140

P: 0800 347 257 or (04) 472 3725

E: info@fscl.org.nz

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

The disputes resolution procedure is set out in a complaints procedure document available from the 'Documents & forms' page on www.firesuper.superfacts.co.nz. You do not need to sign in to the website to access this information.

Directory

Trustee Directors

Appointed by the Professional Firefighters Union

Denis Fitzmaurice (Chairman)
Boyd Raines
Steve Warner

Appointed by Fire and Emergency New Zealand

Angela Hauk-Willis
Murray Coppersmith
Martin Dalglish

Independent Director and Licensed Independent Trustee

Andrew Johnson

Administration

Administration manager

Mercer (N.Z.) Limited

Auditor

Deloitte Limited

Investment consultant

Russell Investment Group Limited

Investment managers

AMP Capital Investors Limited
ANZ Investments
Direct Capital Limited
First State Investments
Harbour Asset Management
Russell Investment Group Limited

Solicitor

DLA Piper

Securities registrar

Mercer (N.Z.) Limited

Custodian

FireSuper Trustee Limited

Scheme Secretary / Complaints Officer / Privacy Officer

Philippa Kalasih

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

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

E: nzfire.super@mercero.com

W: www.firesuper.superfacts.co.nz







Got Questions?

www.firesuper.superfacts.co.nz

0800 MY SUPER (0800 69 78737)

nzfire.super@mercer.com