



ANNUAL REPORT

2005

The Association of Superannuation Funds of New Zealand Inc

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ASFONZ ANNUAL REPORT AND FINANCIAL STATEMENTS 2005

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MEMBERS OF COUNCIL

(as at April 2006)

| | |
|----------------------|--|
| Chairman | John Melville, BSc FIA FNZSA Melville Jessup Weaver |
| Vice Chairman | Jill Spooner, BSc, FIAA, FNZSA Mercer Human Resource Consulting |
| Hon Treasurer | Bruce Dutton BA The New Zealand Anglican Church Pension Board |
| Councillors | Louise Gibson Ministry of Economic Development Dianne Kidd ASB Group Investments Michael Littlewood, BA LLB Planit Services Limited David Penney, FCII Dip. Bus. Studies Mike Woodbury, BA LLB(Hons) Chapman Tripp Sheffield Young Superannuation Plan |

SECRETARIAT

| | |
|---------------------------------|--|
| Executive Director | Bruce Kerr |
| Administrative Assistant | Casey Minnee |
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CHAIRMAN'S REPORT

This, the 37th Annual Report of the Association of Superannuation Funds of New Zealand, summarises ASFONZ's principal activities during the year, which was again eventful and positive for ASFONZ.

ASFONZ's mission continues to be to promote workplace superannuation in New Zealand by advocacy and education. The key focus areas during 2005 were:

- originating submissions and commentary on existing and proposed legislative and public policy initiatives,
- promoting legislative and public policy initiatives beneficial to the industry, and
- providing related education and service to members, most notably through the 2005 Conference.

ASFONZ had achieved successes in each of those areas, due to the efforts of the Executive Director and each Councillor, who have volunteered time and expertise on behalf of employers, trustees and the wider savings industry.

COUNCIL MEMBERSHIP

The full list of Councillors who served during the year is as follows:

| Name | Membership Category | First Year of Election | Status |
|--------------------|---------------------|------------------------|-----------------------|
| Greg Austen | Ordinary | 2004 | Resigned October 2005 |
| Bruce Dutton | Ordinary | 2004 | Continuing |
| Louise Gibson | Associate | 2005 | Continuing |
| Dianne Kidd | Associate | | Co-opted October 2005 |
| Michael Littlewood | Ordinary | 2004 | Continuing |
| John Melville | Ordinary | 2004 | Continuing |
| David Penney | Ordinary | 2004 | Continuing |
| David Scott | Ordinary | 2002 | Resigned October 2005 |
| Jill Spooner | Ordinary | 2001 | Continuing |
| Mike Woodbury | Ordinary | 2001 | Continuing |

During the year the ASFONZ Guardian Groups took most of the workload in the areas of:

- Education – focussed on educational issues for members, employers and trustees: Louise Gibson (Convenor), Greg Austen, Dianne Kidd, John Melville;
- Profile and Growth – focussed on increasing membership, on communications: Michael Littlewood (Convenor), David Penney, David Scott, and
- Public Policy – focussed on ASFONZ's relationship with governmental and other public organisations: Jill Spooner (Convenor), Bruce Dutton, Mike Woodbury.

In addition, the Council has established a Conference Committee to plan the ASFONZ 2006 Conference, comprising Bruce Dutton, Michael Littlewood, John Melville, Jill Spooner and Mike Woodbury.

During 2005 I was appointed Chairman, while Jill Spooner continued as Vice-Chairman and David Scott as Honorary Treasurer. On the resignation of David Scott, Bruce Dutton accepted appointment as Honorary Treasurer.

FINANCIAL RESULTS

The overall financial result for the year ended 31 December 2005 was an operating surplus of \$10,454, leaving members' funds at a slightly increased \$70,765. This compares to an operating surplus of \$26 for 2004.

The key contributors to ASFONZ reporting a profitable year were:

- the increase in total membership subscription income to \$83,355 (2004: \$72,472),
- the net surplus of \$1,677 from the *Politicians @ Our Place*, and
- the overall reduction in operating expenses.

Securing the long term financial future of ASFONZ is a matter to which Councillors are currently paying particularly close attention.

MEMBERSHIP

Membership numbers reduced slightly over the year to 102 Ordinary Members (2004: 104) and 49 Associate Members (2004: 54). In view of the reducing number of schemes and continuing industry rationalisation, our membership numbers have continued to hold up very well.

The ongoing challenge for ASFONZ is to develop a closer relationship with master trust schemes and the employers that use those schemes. As those schemes are employment-related, they are eligible to continue as members of ASFONZ and contribute to the future well-being of the industry. More particularly, their sponsors have many of the same information needs and public policy concerns as stand-alone scheme sponsors. Eliciting greater participation from employers that are master trust participants is one of the Council's major aims for 2006.

ASFONZ ACTIVITIES

Council Meetings

During 2005 full Council meetings were held on 1 March, 28 April, 29 April (AGM), 20 July, 4 October and 10 November. Most full Council meetings continue to be held using the Chapman Tripp videoconference facilities, although Councillors and Council Committees have met informally on a number of other occasions.

Public submissions

During the year to 31 December 2005 ASFONZ made formal submissions on:

- Financial Intermediaries Task Force: Initial Issues Paper
- Financial Intermediaries Task Force: Consultation Paper
- Money Laundering & New Zealand Compliance with FATF Recommendations
- Discussion Document concerning the Taxation of Investment Income (Parts 1 and 2)

SuperNews

Our *SuperNews* publication continues to be published two-monthly, and the 2005 editions were well received. *SuperNews* was established to continue the *Super Benefits* tradition of publishing detailed articles on items of interest to ASFONZ members, as well as providing brief, topical updates on matters of interest. Offers of in-depth articles on matters of interest remain very welcome.

Liaison with Officials

During the year ASFONZ was involved in ongoing consultation with officials from the Treasury, Ministry of Economic Development and Inland Revenue Department. These discussions gave ASFONZ the opportunity to discuss technical matters relating to the Discussion Document concerning the taxation of investment income and to the Government's KiwiSaver initiative.

ASFONZ was also pleased that Councillors David Penney and Michael Littlewood were accepted as participant members of the MED Review of Financial Products & Providers. The objectives of the review are to develop an effective and consistent framework for the regulation of the non-bank financial sector that promotes confidence and participation by investors and institutions, and results in a sound and effective financial sector.

Education Programme

The ASFONZ Trustee Training Programme continues to evolve. The programme currently comprises four modules:

- Introduction to Trusteeship,
- Introduction to Superannuation Investing,
- Best Practice Governance, and
- Demystifying Currency and Hedging.

Following on from the success of the modules at the 2004 conference with large numbers attending, there was limited training demand in the last year. However, the programme was for the first time offered to scheme trustees who wanted onsite training and some modules were tailored and run specifically for the trustees of a particular superannuation scheme.

The Education Guardians are tasked with ensuring that these education training modules continue to be relevant, of interest and in demand. In the coming year they are looking to enhance the education offered to scheme trustees and employers with an interest in workplace superannuation and savings, taking account of the changing legislative environment.

Breakfasts and Seminars

A series of successful breakfast meetings was held in Auckland and Wellington during 2005, including several organised in conjunction with Women in Super. We were also delighted to host one function in Christchurch.

Breakfasts continue to be a very useful forum for informative discussions, with time for members to meet and exchange views in a relaxed environment. ASFONZ intends there to be a regular programme of breakfast presentations on important issues over the coming months and into the foreseeable future.

Conference 2005

The theme of the 2005 ASFONZ one day Conference at Te Papa was - *The Politicians @ Our Place*.

The 2005 Conference, a new initiative filling the gap between our biennial National Conferences, attracted some 100 delegates. The forum gave both ASFONZ members and the wider industry a greater chance to question the politicians on their offerings prior to the 2005 election. In the light of the introduction of the KiwiSaver initiative in the 2005 Budget, the Conference did successfully raise the profile of workplace savings within the industry, in the media and amongst scheme trustees and employers.

On behalf of ASFONZ, I warmly thank and acknowledge the Conference sponsors:
Chapman Tripp, Jacques Martin, TOWER and Women in Super.

2005 COMMUNICATION AWARDS

The ASFONZ Communication Awards again attracted a very good level of entries in 2005, indicating that the Awards remain highly valued by both recipients and the industry.

The Awards would not have been possible without the financial support of BNZ Investment Management Limited.

The judges who selected the combined Annual Report and Benefit Statement Award recipients were Richard Bruynel, Robyn Cormack, Mark Ducker, Rob Hosking, Stuart Johnston and Gavin Quigan, while the winner of the Excellence in Communication Award was selected by Richard Bruynel. Congratulations to all the winners, who were:

Excellence in Communication Award Seafarers Retirement Fund

Gold Awards

Combined Annual Report and Members' Benefit Statement (Large Scheme)

Carter Holt Employee Benefits Plan

Combined Annual Report and Members' Benefit Statement (Small Scheme)

Seafarers Retirement Fund

Other Communications (Investor and Financial or Special Purpose)

Fonterra Superannuation Scheme

Silver Awards

Combined Annual Report and Members' Benefit Statement (Large Scheme)

Individual Retirement Plan (Global Retirement Trust)

Combined Annual Report and Members' Benefit Statement (Small Scheme)

DB Breweries Employee Benefits Scheme

Other Communications (Investor and Financial or Special Purpose)

Unilever New Zealand Superannuation Scheme

Bronze Award

Best New Entry

Fletcher Building Retirement Plan

The winning entries can be seen at <http://www.asfonz.org.nz/WinningEntries.asp>

CONSTITUTIONAL CHANGES

The Council, with the assistance of Chapman Tripp, is reviewing the ASFONZ constitution and has determined that changes are required to better position the Association for the work it needs to undertake. The key changes will concern the streamlining of membership categories, more procedural flexibility and the removal of obsolete provisions and terminology.

A proposed replacement constitution will be distributed to all members as soon as practicable, and we will be seeking approval of the changes at a Special General Meeting following a mid-year breakfast convened for that purpose.

APPRECIATIONS

ASFONZ could not function without the help of a large number of people and organisations and it is proper and fitting that in this report there is an acknowledgement of the thanks that are due to:

- the ASFONZ Councillors for their energy and commitment to ASFONZ, including the significant efforts spent on crafting the numerous submissions that have been made;

- the programme presenters for their time, and Chapman Tripp, Mercer and various ASFONZ members for the use of their venues, as part of their continued support for the education programmes;
- the judges of the ASFONZ awards for their time and dedication to the task, and
- Chapman Tripp, for the generous use of its facilities for Council meetings and for the assistance it provides on legal matters affecting the day-to-day operations of ASFONZ.

Finally, and gratefully, thank you to all members of ASFONZ for your support.

CLOSING OBSERVATIONS

2006 is shaping up to be the most important year for workplace savings and superannuation since the tax changes of the late 1980's. Government officials are busy with the detail of KiwiSaver, changing how investments are taxed and making amendments to the regulatory framework for financial advisers and other financial intermediaries.

KiwiSaver, which will involve every employer in the country, is scheduled for implementation from April 2007. The tax changes are set to be implemented at the same time. We understand that the recommendations of the Task Force on Financial Intermediaries will also be implemented over the course of the year.

As these changes will have a considerable impact on all of the participants in the workplace savings industry, the Association is focused on what we can do to support our members in 2006/07.

We have three major objectives for 2006, which require our commitment to:

1. Support all New Zealand employers that will have to manage the implications of KiwiSaver. ASFONZ is working to launch an independent website with up-to-date information about KiwiSaver and the Master Trust products available in the marketplace.
2. Conduct the 2006 ASFONZ National Conference and Super Expo. The conference will take place during 8 - 10 October 2006 at the SKYCITY Auckland Convention Centre. The theme is "KiwiSaver - Saving the Kiwi Way", as the Conference will provide comment and response to the significant changes that will take place in 2007.
3. Facilitate employer workplace savings education, working with the Office of the Retirement Commission and Inland Revenue, highlighting what employers will have to consider and do to meet their KiwiSaver statutory obligations.

All employers, superannuation product providers and advisors will be affected by the changes proposed for next year. We will be doing all that we can to ensure that our Association members will be given the opportunity to fully understand how the changes will affect their current activities.

The achievement of the objectives we have set ourselves for 2006 will cost more than our regular membership revenue. We recognise that we will need financial help from others within the New Zealand workplace savings industry. For this reason, we have compiled a "Supporter Package" offering workplace savings related organisations the opportunity to become a direct financial supporter of ASFONZ. You will hear more about this initiative in the near future.

John Melville
Chairman
 April 2006

THE ASSOCIATION OF SUPERANNUATION FUNDS OF NEW ZEALAND INC

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
31 DECEMBER 2005**

| | 2005 | 2004 |
|------------------------------------|-----------------|----------------|
| | \$ | \$ |
| <u>INCOME</u> | | |
| 1-10 Members | 800 | 1,200 |
| 11-100 Members | 6,133 | 5,139 |
| 101-250 Members | 8,178 | 8,889 |
| 251-500 Members | 11,200 | 11,200 |
| 501-1500 Members | 16,044 | 16,889 |
| Over 1500 Members | 17,533 | 13,333 |
| Associate Members | 23,467 | 15,289 |
| Associate Members Individuals | 533 | 533 |
| Interest Received | 3,469 | 3,052 |
| Less Tax on Interest | (815) | (678) |
| Association Breakfasts | 14,617 | 16,352 |
| Communication Awards Net Income | 444 | - |
| Conference Income | 36,948 | 170,183 |
| Education Programme | 2,527 | 22,729 |
| <u>Total Income</u> | 141,078 | 284,110 |
| <u>EXPENDITURE</u> | | |
| Accountancy Fees | 3,240 | 2,880 |
| A.C.C. Levy | - | (44) |
| Audit Fees | 2,789 | 2,289 |
| Bad Debts | 636 | - |
| Bank & Credit Card Charges | 133 | 109 |
| Communication Awards Net Expense | - | 1,867 |
| Conference Expenses | 35,271 | 146,073 |
| Council Meeting Expenses | - | 1,264 |
| Depreciation | 1,000 | 1,000 |
| Executive Director | 42,136 | 43,171 |
| Education Programme – Development | 1,840 | 2,562 |
| Education Programme – Delivery | 2,174 | 9,250 |
| General Expenses | 1,337 | - |
| Light & Power | 781 | 669 |
| Newsletter | 158 | 70 |
| Postage General | 487 | 843 |
| Printing & Stationery | 1,428 | 3,346 |
| Rent & Rates | 11,020 | 10,375 |
| Repairs & Maintenance Computer | - | 1,161 |
| Association Breakfast Expenses | 9,868 | 15,226 |
| Submission Expenses | - | 11,469 |
| Survey Expenses | - | 1,100 |
| Telephone & Tolls | 2,563 | 4,389 |
| Wages | 12,427 | 20,407 |
| Web-Site | 1,336 | 4,608 |
| <u>Total Expenses</u> | 130,625 | 284,084 |
| <u>SURPLUS FOR THE YEAR</u> | \$10,454 | \$26 |

THE ASSOCIATION OF SUPERANNUATION FUNDS OF NEW ZEALAND INC

STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2005

| | 2005 \$ | 2004 \$ |
|-----------------------------------|-----------------|-----------------|
| Members' Funds Previous Year | 60,312 | 60,286 |
| Surplus for Current Year | 10,454 | 26 |
| Members' Funds End of Year | <u>\$70,766</u> | <u>\$60,312</u> |

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2005

| | 2005 \$ | 2004 \$ |
|-----------------------------------|------------------------|------------------------|
| <u>Current Assets</u> | | |
| Accrued Interest | 2,020 | 1,690 |
| Bank of New Zealand | 46,663 | 43,664 |
| National Bank Deposit | 52,631 | 49,652 |
| | <u>101,314</u> | <u>95,006</u> |
| Fixed Assets – Note 3 | 250 | 1,250 |
| TOTAL ASSETS | <u>101,564</u> | <u>96,256</u> |
| <u>Current Liabilities</u> | | |
| Provision for Tax | 2,901 | 2,086 |
| Accounts Payable | 8,444 | 8,282 |
| Subscriptions in Advance | 18,843 | 22,306 |
| GST Payable | 609 | 3,270 |
| TOTAL LIABILITIES | <u>30,797</u> | <u>35,944</u> |
| <u>NET ASSETS</u> | <u>\$70,766</u> | <u>\$60,312</u> |
| Represented by: | | |
| Member Funds | <u>\$70,766</u> | <u>\$60,312</u> |

These financial statements were approved for issue by:



Hon. Treasurer

Date: 11 April 2006



Executive Director

Date: 11 April 2006

THE ASSOCIATION OF SUPERANNUATION FUNDS OF NEW ZEALAND INC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

NOTE 1

STATEMENT OF ACCOUNTING POLICIES

General Accounting Policies

The following general accounting policies have been adopted in the preparation of the Financial Statements.

- (i) The measurement base adopted is that of historical cost and reliance is placed on the fact that the Association is a going concern.
- (ii) Accrual accounting is used to record expenses and revenue.

Particular Accounting Policies

Particular accounting policies which materially affect the measurement of surplus financial position have been applied as follows:

Depreciation

Depreciation has been calculated using the straight line method to amortise the cost of the assets over their expected lives of three to five years.

Changes in Accounting Policy

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in previous years.

NOTE 2

Differential Reporting

The Association qualifies for certain exemptions under the "Framework for Differential Reporting" issued by the Institute of Chartered Accountants of New Zealand, as it does not have public accountability and is within the prescribed level of assets and revenues.

The Association has taken all available exemptions.

NOTE 3

Fixed Assets

| | Rate | Cost Price | 2005 Depreciation | Accumulated Depreciation | Book Value 2005 | Book Value 2004 |
|-------------|--------|---------------------|---------------------|--------------------------|-------------------|---------------------|
| Photocopier | 20.00% | 5,000 | 1,000 | 4,750 | 250 | 1,250 |
| Banners | 33.30% | <u>3,680</u> | <u>0</u> | <u>3,680</u> | <u>0</u> | <u>0</u> |
| | | <u>8,680</u> | <u>1,000</u> | <u>8,430</u> | <u>250</u> | <u>1,250</u> |

AUDIT REPORT

TO THE MEMBERS OF THE ASSOCIATION OF SUPERANNUATION FUNDS OF NZ INC

We have audited the attached financial statements. The financial statements provide information about the past financial performance of The Association of Superannuation Funds of NZ Inc (“The Association”) and its financial position as at 31 December 2005. This information is stated in accordance with the accounting policies.

Council’s Responsibilities

The Council is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which fairly reflect the financial position of The Association as at 31 December 2005 and the results of its operations for the year ended 31 December 2005.

Auditor’s Responsibilities

It is our responsibility to express to you an independent opinion on the financial statements presented by the Council.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Council in the preparation of the financial statements, and
- whether the accounting policies are appropriate to The Association’s circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the financial statements.

Other than in our capacity as auditor, we have no relationship with or interests in The Association.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion the financial statements fairly reflect the financial position of The Association as at 31 December 2005 and the results of its operations for the year ended on that date.

Our audit was completed on 11 April 2006 and our unqualified opinion is expressed as at that date.



**CHARTERED ACCOUNTANTS
WELLINGTON, NEW ZEALAND**

This audit report relates to the financial statements of The Association for the year ended 31 December 2005 included on The Association’s website. The Association’s Council is responsible for the maintenance and integrity of The Association’s website. We have not been engaged to report on the integrity of The Association’s website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 11 April 2006 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.