

# **COOK ISLANDS NATIONAL SUPERANNUATION FUND**

## **Financial Statements**

**For the year ended 31 December 2019**

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## Independent Auditor's Report

### To the Members of the Cook Islands National Superannuation Fund

#### Opinion

We have audited the financial statements of the Cook Islands National Superannuation Fund (the "Fund") which comprise the statement of net assets as at 31 December 2019, and the statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements, on pages 3 to 21, present fairly, in all material respects, the financial position of the Fund as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards ('applicable accounting framework').

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Fund in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor and the provision of taxation advice, we have no relationship with or interests in the Fund. These services have not impaired our independence as auditor of the Fund.

#### Trustees' responsibilities for the financial statements

The trustees are responsible on behalf of the Fund for the preparation and fair presentation of the financial statements in accordance with the applicable accounting framework, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible on behalf of the Fund for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on at the External Reporting Board's website at:

[https://www.xrb.govt.nz/Site/Auditing Assurance Standards/Current Standards/Page8.aspx](https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page8.aspx)

This description forms part of our auditor's report.

**Restriction on use**

This report is made solely to the Fund's members as a body. Our audit has been undertaken so that we might state to the Fund's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Deloitte Limited*

Auckland, New Zealand  
25 May 2020

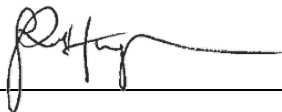
## COOK ISLANDS NATIONAL SUPERANNUATION FUND

### Statement of Net Assets

As at 31 December 2019

Note	Total December 2019 NZ\$	Total December 2018 NZ\$	Conservative Fund December 2019 NZ\$	Conservative Fund December 2018 NZ\$	Balanced Fund December 2019 NZ\$	Balanced Fund December 2018 NZ\$	Growth Fund December 2019 NZ\$	Growth Fund December 2018 NZ\$	Reserve Fund December 2019 NZ\$	Reserve Fund December 2018 NZ\$
<b>ASSETS</b>										
Cash at Bank	2,811,704	2,723,804	1,569,197	1,506,013	211,538	188,679	(103,913)	(104,892)	1,134,882	1,134,004
Cash at Cook Islands Bank	734,954	402,460	777,172	402,460	(23,712)	-	(18,506)	-	-	-
Contributions Receivable - Member	936,921	717,164	898,558	693,285	21,675	13,741	16,688	10,138	-	-
Contributions Receivable - Employer	907,299	699,488	870,121	676,177	21,006	13,414	16,172	9,897	-	-
Investments at Fair Value Through Profit or Loss	183,533,562	153,182,154	176,077,631	148,464,200	4,313,150	2,814,313	3,142,781	1,903,641	-	-
Unsettled Trade	-	39,256	-	34,756	-	4,500	-	-	-	-
Property, Plant and Equipment	395,510	303,800	383,676	295,635	6,984	4,911	4,850	3,254	-	-
<b>Total Assets</b>	<b>189,319,950</b>	<b>158,068,126</b>	<b>180,576,355</b>	<b>152,072,526</b>	<b>4,550,641</b>	<b>3,039,558</b>	<b>3,058,072</b>	<b>1,822,038</b>	<b>1,134,882</b>	<b>1,134,004</b>
<b>Less LIABILITIES</b>										
Accounts Payable	(181,056)	(113,272)	(166,190)	(109,637)	(10,389)	(2,091)	(4,477)	(1,544)	-	-
Benefits Payable	(11,036)	(6,458)	(11,036)	(6,458)	-	-	-	-	-	-
Forfeited Benefits Payable	(1,096,470)	(1,096,470)	-	-	-	-	-	-	(1,096,470)	(1,096,470)
PIE Tax Payable	(39,295)	(27,014)	(36,810)	(26,147)	(1,354)	(499)	(1,131)	(368)	-	-
<b>Total Liabilities</b>	<b>(1,327,857)</b>	<b>(1,243,214)</b>	<b>(214,036)</b>	<b>(142,242)</b>	<b>(11,743)</b>	<b>(2,590)</b>	<b>(5,608)</b>	<b>(1,912)</b>	<b>(1,096,470)</b>	<b>(1,096,470)</b>
<b>Assets allocated to Reserve</b>	<b>-</b>	<b>-</b>	<b>(2,217,070)</b>	<b>(656,809)</b>	<b>(39,808)</b>	<b>(13,129)</b>	<b>(26,247)</b>	<b>(7,869)</b>	<b>2,283,126</b>	<b>677,807</b>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	<b>187,992,093</b>	<b>156,824,912</b>	<b>178,145,249</b>	<b>151,273,475</b>	<b>4,499,090</b>	<b>3,023,839</b>	<b>3,026,217</b>	<b>1,812,257</b>	<b>2,321,538</b>	<b>715,341</b>
<b>LIABILITY FOR ACCRUED BENEFITS</b>										
<i>Represented by:</i>										
Member Accounts	91,356,660	77,459,387	87,238,835	74,800,900	2,516,707	1,691,372	1,601,117	967,115	-	-
Employer Accounts	94,313,896	78,650,184	90,906,413	76,472,575	1,982,383	1,332,467	1,425,100	845,142	-	-
Reserve Account	2,086,170	500,000	-	-	-	-	-	-	2,086,170	500,000
Pension Accounts	235,368	215,341	-	-	-	-	-	-	235,368	215,341
<b>8</b>	<b>187,992,093</b>	<b>156,824,912</b>	<b>178,145,249</b>	<b>151,273,475</b>	<b>4,499,090</b>	<b>3,023,839</b>	<b>3,026,217</b>	<b>1,812,257</b>	<b>2,321,538</b>	<b>715,341</b>

For and on behalf of the Trustee, Public Trust, who authorised the issue of these financial statements on 25 May 2020

Trustee: 

Date: 25 May 2020

The notes and accounting policies on pages 7 to 21 form an integral part of these financial statements.

## COOK ISLANDS NATIONAL SUPERANNUATION FUND

Statement of Changes in Net Assets  
For the year ended 31 December 2019

	Note	Total December 2019 NZ\$	Total December 2018 NZ\$	Conservative Fund December 2019 NZ\$	Conservative Fund December 2018 NZ\$	Balanced Fund December 2019 NZ\$	Balanced Fund December 2018 NZ\$	Growth Fund December 2019 NZ\$	Growth Fund December 2018 NZ\$	Reserve Fund December 2019 NZ\$	Reserve Fund December 2018 NZ\$
<b>INVESTMENT ACTIVITIES</b>											
<b>Investment Revenue</b>											
Gains/(Losses) on Investments at Fair Value Through Profit or Loss	5	16,919,513	(1,369,092)	15,957,702	(1,142,110)	521,848	(110,089)	439,964	(116,893)	-	-
Distributions Received		3,742,245	1,604,727	3,651,121	1,526,696	59,035	41,301	32,089	36,730	-	-
Interest Received		49,038	52,112	47,646	21,255	176	184	126	136	1,089	30,537
		20,710,797	287,747	19,656,470	405,841	581,059	(68,604)	472,180	(80,027)	1,089	30,537
<b>Investment Expenses</b>											
Investment Management Fees (Net of Rebates)		(1,096,024)	(1,040,101)	(1,054,616)	(1,009,042)	(24,157)	(18,202)	(17,252)	(12,856)	-	-
<b>Net Investment Revenue</b>		19,614,772	(752,354)	18,601,854	(603,202)	556,902	(86,806)	454,928	(92,884)	1,089	30,537
<b>OTHER INCOME</b>											
Insurance Proceeds Received		474,073	382,386	474,073	382,386	-	-	-	-	-	-
Cook Islands Government Funding		-	33,612	-	32,720	-	493	-	399	-	-
		474,073	415,998	474,073	415,106	-	493	-	399	-	-
<b>OTHER EXPENSES</b>											
Cook Islands Office Expenses	10	(776,587)	(792,084)	(743,322)	(766,663)	(18,794)	(14,628)	(14,470)	(10,793)	-	-
Administration Fees		(465,344)	(428,039)	(456,727)	(414,302)	(4,892)	(7,905)	(3,726)	(5,832)	-	-
Auditor's Remuneration - Other Services		(3,450)	(3,300)	(3,450)	(3,194)	-	(61)	-	(45)	-	-
Auditor's Remuneration - Audit Fees		(34,535)	(29,505)	(34,147)	(28,558)	(204)	(545)	(184)	(402)	-	-
Group Insurance Premiums		(506,625)	(374,097)	(481,128)	(362,088)	(19,907)	(6,921)	(5,590)	(5,088)	-	-
Bank Fees		(3,880)	(3,803)	(3,845)	(3,637)	(20)	(69)	(14)	(51)	-	(46)
Trustee Fees		(78,309)	(56,384)	(76,438)	(54,575)	(1,066)	(1,041)	(805)	(768)	-	-
Consulting Fees		(38,855)	(20,889)	(37,631)	(20,218)	(692)	(386)	(533)	(285)	-	-
General Expenses		(28,618)	(17,501)	(28,041)	(16,939)	(326)	(323)	(251)	(239)	-	-
Depreciation Expense	15	(129,405)	(111,803)	(124,229)	(108,215)	(2,925)	(2,065)	(2,252)	(1,523)	-	-
<b>Total Other Expenses</b>		(2,065,608)	(1,837,405)	(1,988,957)	(1,778,389)	(48,825)	(33,944)	(27,825)	(25,025)	-	(46)
<b>Surplus/(Deficit) before Taxation and Membership Activities</b>		18,023,238	(2,173,761)	17,086,969	(1,966,485)	508,077	(120,257)	427,103	(117,510)	1,089	30,491
Income Tax Expense		(57,131)	(43,543)	(53,431)	(37,314)	(1,917)	(1,007)	(1,573)	(825)	(211)	(4,397)
<b>Surplus/(Deficit) after Taxation and before Membership Activities</b>		17,966,107	(2,217,304)	17,033,538	(2,003,799)	506,160	(121,264)	425,530	(118,335)	878	26,094

## COOK ISLANDS NATIONAL SUPERANNUATION FUND

Statement of Changes in Net Assets (Cont'd)

For the year ended 31 December 2019

Note	Total December 2019 NZ\$	Total December 2018 NZ\$	Conservative Fund December 2019 NZ\$	Conservative Fund December 2018 NZ\$	Balanced Fund December 2019 NZ\$	Balanced Fund December 2018 NZ\$	Growth Fund December 2019 NZ\$	Growth Fund December 2018 NZ\$	Reserve Fund December 2019 NZ\$	Reserve Fund December 2018 NZ\$
<b>MEMBERSHIP ACTIVITIES</b>										
<b>Contributions</b>										
Member Contributions	8,641,462	7,107,833	7,839,805	6,879,719	433,247	131,265	368,409	96,849	-	-
Member Voluntary Contributions	451,280	335,529	277,201	324,761	37,670	6,196	136,408	4,572	-	-
Employer Contributions	8,641,299	7,106,834	7,839,480	6,878,751	433,316	131,247	368,502	96,836	-	-
Penalty fees	41,567	-	40,314	-	593	-	660	-	-	-
Transfer in	1,948,092	-	1,948,092	-	-	-	-	-	-	-
Unallocated contributions	581,359	1,032,717	650,949	1,032,717	(36,962)	-	(32,628)	-	-	-
<b>Total Contributions</b>	<b>20,305,059</b>	<b>15,582,913</b>	<b>18,595,841</b>	<b>15,115,948</b>	<b>867,865</b>	<b>268,708</b>	<b>841,352</b>	<b>198,257</b>	<b>-</b>	<b>-</b>
<b>Benefits Paid</b>										
Retirement	(1,502,886)	(844,996)	(1,497,947)	(844,996)	(2,117)	-	(2,822)	-	-	-
Death	(687,710)	(539,749)	(687,710)	(539,749)	-	-	-	-	-	-
Insurance Proceeds Paid	(474,073)	(336,626)	(474,073)	(336,626)	-	-	-	-	-	-
Pensions Paid	(144,761)	(502,859)	(144,761)	(502,859)	-	-	-	-	-	-
Medical Disability	(23,619)	(144,575)	(23,619)	(144,575)	-	-	-	-	-	-
Temporary Permanent Disablement	(14,355)	-	(14,355)	-	-	-	-	-	-	-
Expatriate Withdrawal Benefit	(2,308,489)	(991,863)	(2,110,609)	(991,863)	(92,166)	-	(105,714)	-	-	-
Transfer out	(1,948,092)	-	(1,943,005)	-	(2,837)	-	(2,250)	-	-	-
<b>Total Benefits Paid</b>	<b>(7,103,985)</b>	<b>(3,360,668)</b>	<b>(6,896,080)</b>	<b>(3,360,668)</b>	<b>(97,119)</b>	<b>-</b>	<b>(110,786)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Switches In	1,240,653	861,817	517,050	13,635	413,849	490,798	309,755	357,384	-	-
Switches Out	(1,240,653)	(861,817)	(837,471)	(487,048)	(179,224)	(346,569)	(223,958)	(28,200)	-	-
<b>Net Membership Activities</b>	<b>13,201,074</b>	<b>12,222,245</b>	<b>11,379,340</b>	<b>11,281,867</b>	<b>1,005,370</b>	<b>412,937</b>	<b>816,362</b>	<b>527,442</b>	<b>-</b>	<b>-</b>
<b>Increase in Net Assets During the Year</b>	<b>31,167,181</b>	<b>10,004,941</b>	<b>28,412,879</b>	<b>9,278,066</b>	<b>1,511,530</b>	<b>291,673</b>	<b>1,241,892</b>	<b>409,106</b>	<b>878</b>	<b>26,094</b>
<b>(Decrease)/Increase in Net Assets Allocated to Reserve</b>	<b>-</b>	<b>-</b>	<b>(1,541,106)</b>	<b>(394,310)</b>	<b>(36,280)</b>	<b>457,476</b>	<b>(27,933)</b>	<b>(37,072)</b>	<b>1,605,319</b>	<b>(26,094)</b>
<b>Increase in Net Assets During the Year</b>	<b>31,167,181</b>	<b>10,004,941</b>	<b>26,871,773</b>	<b>8,883,756</b>	<b>1,475,250</b>	<b>749,149</b>	<b>1,213,959</b>	<b>372,034</b>	<b>1,606,197</b>	<b>-</b>
<b>Benefits Accrued</b>										
Allocated to:										
Member Accounts	13,897,271	5,010,365	12,437,935	4,392,793	825,335	419,034	634,001	198,537	-	-
Employer Accounts	15,663,712	4,994,576	14,433,837	4,490,963	649,916	330,115	579,958	173,497	-	-
Reserve Account	1,606,197	-	-	-	-	-	-	-	1,606,197	-
	<b>31,167,181</b>	<b>10,004,941</b>	<b>26,871,773</b>	<b>8,883,756</b>	<b>1,475,250</b>	<b>749,149</b>	<b>1,213,959</b>	<b>372,034</b>	<b>1,606,197</b>	<b>-</b>

The notes and accounting policies on pages 7 to 21 form an integral part of these financial statements.

# COOK ISLANDS NATIONAL SUPERANNUATION FUND

## Statement of Cash Flows

For the year ended 31 December 2019

Notes	Total December 2019 NZ\$	Total December 2018 NZ\$	Conservative Fund December 2019 NZ\$	Conservative Fund December 2018 NZ\$	Balanced Fund December 2019 NZ\$	Balanced Fund December 2018 NZ\$	Growth Fund December 2019 NZ\$	Growth Fund December 2018 NZ\$	Reserve Fund December 2019 NZ\$	Reserve Fund December 2018 NZ\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>										
<i>Cash provided from</i>										
Member Contributions	8,421,704	7,779,931	7,634,532	7,345,402	425,313	236,692	361,859	197,837	-	-
Member Voluntary Contributions	451,279	357,217	277,201	273,344	37,670	59,586	136,408	24,287	-	-
Employer Contributions	8,433,487	7,752,092	7,645,536	7,317,596	425,724	236,692	362,227	197,804	-	-
Penalty fees	41,567	-	40,314	-	593	-	660	-	-	-
Transfer in	1,948,092	-	1,948,092	-	-	-	-	-	-	-
Unallocated contributions	581,359	-	650,949	-	(36,962)	-	(32,628)	-	-	-
Switches in	1,240,654	861,817	517,050	13,635	413,849	490,798	309,755	357,384	-	-
Other income	-	29,192	-	29191.58	-	-	-	-	-	-
Interest Received	49,037	31,121	47,646	-	176	336	126	247	1,089	30,538
Insurance Proceeds Received	474,073	382,386	474,073	382,386	-	-	-	-	-	-
Cook Islands Government Funding	-	33,612	-	32,720	-	493	-	399	-	-
	21,641,252	17,227,368	19,235,393	15,394,275	1,266,363	1,024,597	1,138,407	777,958	1,089	30,538
<i>Cash applied to</i>										
Retirement	(1,502,886)	(1,283,357)	(1,497,947)	(1,184,136)	(2,117)	-	(2,822)	-	-	(99,221)
Death	(687,710)	(539,749)	(687,710)	(539,749)	-	-	-	-	-	-
Insurance Proceeds Paid	(474,073)	(43,983)	(474,073)	(43,983)	-	-	-	-	-	-
Pensions Paid	(144,761)	(502,859)	(144,761)	(502,859)	-	-	-	-	-	-
Medical Disability	(23,619)	(144,575)	(23,619)	(144,575)	-	-	-	-	-	-
Temporary Permanent Disablement	(14,355)	-	(14,355)	-	-	-	-	-	-	-
Expatriate Withdrawal Benefit	(2,303,911)	(991,863)	(2,106,031)	(991,863)	(92,166)	-	(105,714)	-	-	-
Transfer out	(1,948,092)	-	(1,943,005)	-	(2,837)	-	(2,250)	-	-	-
Switches out	(1,240,653)	(861,817)	(837,471)	(487,048)	(179,224)	(346,569)	(223,958)	(28,200)	-	-
Investment Management Fees (Net of Rebates)	(1,096,025)	(424,218)	(1,054,616)	(410,867)	(24,157)	(7,727)	(17,252)	(5,624)	-	-
General and Other Expenses	(1,825,403)	(1,648,331)	(1,768,153)	(1,596,803)	(36,048)	(30,284)	(21,202)	(21,245)	-	-
Bank Fees	(3,879)	(3,798)	(3,845)	(3,637)	(20)	(69)	(14)	(46)	-	(46)
Income Tax Paid	(84,146)	(7,707)	(79,177)	(3,197)	(2,608)	(62)	(2,150)	(51)	(211)	(4,397)
	(11,349,513)	(6,452,258)	(10,634,763)	(5,908,718)	(339,177)	(384,711)	(375,362)	(55,166)	(211)	(103,664)
<b>Net Cash Flows from Operating Activities</b>	9 10,291,739	10,775,110	8,600,630	9,485,557	927,186	639,886	763,045	722,793	878	(73,126)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
<i>Cash provided from</i>										
Sale of Investments	11,033,348	7,345,279	10,323,433	7,114,315	346,889	196,964	363,026	34,000	-	-
<i>Cash applied to</i>										
Purchase of Investments	(20,904,693)	(18,325,930)	(18,486,167)	(16,781,516)	(1,274,928)	(683,315)	(1,143,598)	(861,098)	-	-
<b>Net Cash Flows used in Investing Activities</b>	(9,871,345)	(10,980,651)	(8,162,734)	(9,667,201)	(928,039)	(486,351)	(780,572)	(827,098)	-	-
<b>Net Increase/(Decrease) in Cash Held</b>	420,394	(205,541)	437,896	(181,644)	(853)	153,535	(17,527)	(104,305)	878	(73,126)
<b>Cash at Beginning of the Year</b>	3,126,264	3,331,804	1,908,473	2,090,117	188,679	35,144	(104,892)	(587)	1,134,004	1,207,130
<b>Cash at End of the Year</b>	<b>3,546,658</b>	<b>3,126,264</b>	<b>2,346,369</b>	<b>1,908,473</b>	<b>187,826</b>	<b>188,679</b>	<b>(122,419)</b>	<b>(104,892)</b>	<b>1,134,882</b>	<b>1,134,004</b>

The notes and accounting policies on pages 7 to 21 form an integral part of these financial statements.

# COOK ISLANDS NATIONAL SUPERANNUATION FUND

## Notes to the Financial Statements

For the year ended 31 December 2019

### 1. Scheme Description

The Fund commenced operations on 19 September 2001 on the signing of the Trust Deed by the Board of the Cook Islands National Superannuation Fund and Public Trust a New Zealand crown entity established under the Public Trust Act 2001.

The Fund is a defined contribution superannuation scheme. Upon retirement, most contributing member accounts are transferred to pensioner accounts. The pension paid to a retired member (or their surviving spouse) is based on the account balance at retirement and a rate of pension conversion applied by the Trustee. The rate of conversion is set by the Trustee based on actuarial advice. The Fund does not have the actuarial risks associated with defined benefit schemes because the conversion rate can be altered by the Trustee.

The Fund is domiciled in the Cook Islands and the registered office is located in the ANZ Building, Avarua, Rarotonga, Cook Islands.

#### Funding Arrangements

The members and employers both contribute to the Fund at rates of 5% of pensionable salary. These contributions are in accordance with those mandated for employees and employers under the Cook Islands National Superannuation Act 2000.

#### Termination Terms

The Trust Deed sets out the basis on which the Fund can be terminated. Clause 138 of the Trust Deed also covers the situation where the Fund can be wound-up, upon the date determined by the Fund's National Superannuation Board in consultation with the Trustee and the Cook Islands Government.

#### Changes in the Fund

There were no amendments to the Trust Deed during the year.

### 2. Basis of Preparation

#### Statement of Compliance

The financial statements of the Fund have been prepared in accordance with the Trust Deed governing the Fund and New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime ("NZ IFRS RDR") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards Reduced Disclosure Regime ("IFRS RDR") as issued by the External Reporting Board, and has applied disclosure concessions. The Fund qualifies for NZ IFRS RDR as it does not have public accountability and it is not a large for-profit public sector entity.

#### Measurement Base

The measurement base adopted is that of historical cost modified by the revaluation of financial assets which are measured at fair value through profit or loss.

#### Functional and Presentation Currency

These financial statements are rounded to the nearest dollar and presented in New Zealand dollars because that is the currency of the primary economic environment in which the Fund operates.

#### Classification of Assets and Liabilities

The Fund operates as a superannuation scheme. As such, the assets and liabilities are disclosed in the Statement of Net Assets in an order that reflects their relative liquidity.

#### Classification of Expenditure

Expenditure in the Statement of Changes in Net Assets and Statement of Cash Flows is allocated to the investment funds on a basis according to member registry balances. This methodology is consistent with the prior year.



# COOK ISLANDS NATIONAL SUPERANNUATION FUND

## Notes to the Financial Statements

For the year ended 31 December 2019

### 3. Summary of Significant Accounting Policies

#### Standards, amendments and interpretations to existing standards that are effective and have been adopted by the Fund

NZ IFRS 16 Leases is effective for annual periods beginning on or after 1 January 2019, and has been adopted by the Fund from this date. The Fund has concluded that there is no material impact of NZ IFRS 16 on the financial statements.

#### Interest Income

Interest income is recognised in the Statement of Changes in Net Assets using the effective interest method.

#### Investment Income

Distribution income and other income from unitholdings are recognised in the Statement of Changes in Net Assets to the extent that it is probable that the economic benefits will flow to the Fund and the income can be readily measured.

#### Income and Expenses

Income and expenses are accounted for on an accruals basis.

#### Receivables

Receivables do not carry any interest, and are short-term in nature and are stated at their amortised cost.

#### Payables

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at balance date. These amounts are unsecured and are usually paid within 30 days of recognition. These amounts are stated at amortised cost.

#### Goods and Services Tax ("GST")

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

#### Accrued Benefits

Accrued benefits (also known as promised retirement benefits) are the benefits which the Fund is presently obliged to transfer in the future to employees and participants, as a result of membership of the Fund, up to the date at which the actuarial valuation of accrued benefits is determined.

#### Taxation

The Fund is an overseas superannuation scheme which has no liability for New Zealand taxation other than Non Resident Withholding Tax.

The Fund invests into various Portfolio Investment Entities ("PIE"). The tax liability arising on income with a Portfolio Investor Rate ("PIR") 28% is allocated to the Fund, and is satisfied by cancellation of the units held by the Fund.

The tax expense represents PIE tax and Non Resident Withholding Tax.

# COOK ISLANDS NATIONAL SUPERANNUATION FUND

## Notes to the Financial Statements

For the year ended 31 December 2019

### 3. Summary of Significant Accounting Policies (Cont'd)

#### Statement of Cash Flows

The following are definitions of the terms used in the Statement of Cash Flows:

Cash includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Operating activities - include all transactions and other events that are not investing activities or financing activities.

Investing activities - comprise acquisition and disposal of investments. Investments include securities not falling within the definition of cash.

#### Contributions and Benefits

Contributions and benefits are accounted for on an accrual basis. Contributions are recognised in the Statement of Changes in Net Assets when they become receivable, or are received.

Benefits are recognised in Statement of Changes in Net Assets when they become payable or are paid.

#### Financial instruments

##### *Classification*

The Fund classifies its investments as financial assets at fair value through profit or loss.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Trustee to evaluate the information about these financial assets on a fair value basis together with other related financial information. The Trustee has determined that all financial assets and liabilities of the Fund are designated at fair value through profit or loss with the exception of receivables and payables which are measured at amortised cost.

##### *Recognition/derecognition*

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date. Investments are derecognised when the right to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership. All realised and unrealised gains or losses on financial assets and financial liabilities held at fair value through profit or loss are recognised in the Statement of Changes in Net Assets.

##### *Measurement*

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all financial assets and financial liabilities held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Changes in Net Assets.

##### *Fair value measurement*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer a liability takes place either:

- In the principal market of the asset or liability.
- In the absence of a principal market, in the most advantageous market for the asset or liability.
- The principal or most advantageous market must be accessible by the Fund.

The fair value of financial assets at fair value through profit or loss is based on the prices provided by the investment manager. For further details please refer to Note 14.

## COOK ISLANDS NATIONAL SUPERANNUATION FUND

### Notes to the Financial Statements

For the year ended 31 December 2019

#### 3. Summary of Significant Accounting Policies (Cont'd)

##### Property, Plant and Equipment

Property, plant and equipment assets are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight line basis at rates that will write off the cost of assets over their estimated useful lives.

The following depreciation rates have been applied:

Furniture and Fittings	10%
Equipment	25%
Motor Vehicle	20%
IT System	33%

##### Capital Risk Management

The Fund's primary purpose is to ensure that its net assets are sufficient to meet all present and future obligations of the Fund, as defined by the liability for accrued benefits.

The Fund achieves this through obtaining contributions from members and members' employers. These are then invested into financial assets.

##### Critical Judgement and Accounting Estimates

The Trustee discussed the development, selection and disclosure of the Fund's critical accounting policies and estimates and the application of these policies and estimates. The Trustee has applied judgement in selecting the accounting policy to designate financial assets held at fair value through profit or loss at inception. However it is possible to determine the fair values of all financial assets as quoted unit prices from the Investment Managers which are readily available and therefore there are no material sources of estimation uncertainty in the preparation of the Fund's financial statements. However as with all investments their value is subject to variation due to market fluctuations. For the purposes of the fair value hierarchy of financial assets at fair value through profit or loss, the Trustee has to apply their judgement as to what constitutes "directly observable prices". For further details please refer to note 14 (Fair Value).

##### Changes in Accounting Policies

There have been no changes to accounting policies during the year.

#### 4. Financial Assets Held at Fair Value Through Profit or Loss

	Total 2019 NZ\$	Total 2018 NZ\$	Conservative Fund 2019 NZ\$	Conservative Fund 2018 NZ\$	Balanced Fund 2019 NZ\$	Balanced Fund 2018 NZ\$	Growth Fund 2019 NZ\$	Growth Fund 2018 NZ\$
Russell Global Opportunities Fund \$NZ Hedged Class B	42,285,662	28,946,255	38,752,950	26,943,455	1,804,996	1,039,543	1,727,716	963,257
Russell Global Bond Fund Class B	96,053,635	85,296,731	94,327,530	84,044,715	1,272,936	931,839	453,169	320,177
Russell Investments NZ Shares Fund	21,737,752	16,967,394	19,962,752	15,825,255	923,860	603,792	851,140	538,347
Russell Investments NZ Fixed Interest Fund	23,456,513	21,971,774	23,034,399	21,650,775	311,358	239,139	110,756	81,860
<b>Total Investments</b>	<b>183,533,562</b>	<b>153,182,154</b>	<b>176,077,631</b>	<b>148,464,200</b>	<b>4,313,150</b>	<b>2,814,313</b>	<b>3,142,781</b>	<b>1,903,641</b>

## COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements

For the year ended 31 December 2019

### 5. Gains/(Losses) on Investments at Fair Value Through Profit or Loss

	Total 2019 NZ\$	Total 2018 NZ\$	Conservative Fund 2019 NZ\$	Conservative Fund 2018 NZ\$	Balanced Fund 2019 NZ\$	Balanced Fund 2018 NZ\$	Growth Fund 2019 NZ\$	Growth Fund 2018 NZ\$
Russell Global Opportunities Fund \$NZ Hedged Class B	8,109,427	(3,732,260)	7,510,494	(3,471,573)	314,020	(134,280)	284,914	(126,407)
Russell Global Bond Fund Class B	3,945,236	1,511,377	3,886,714	1,491,302	44,072	14,882	14,450	5,193
Russell Investments NZ Shares Fund	4,105,280	214,149	3,811,547	208,730	155,793	3,218	137,940	2,201
Russell Investments NZ Fixed Interest Fund	759,570	637,642	748,947	629,431	7,963	6,091	2,660	2,120
<b>Total Gains/(Losses) on Investments at Fair Value Through Profit or Loss</b>	<b>16,919,513</b>	<b>(1,369,092)</b>	<b>15,957,702</b>	<b>(1,142,110)</b>	<b>521,848</b>	<b>(110,089)</b>	<b>439,964</b>	<b>(116,893)</b>

### 6. Vested Benefits

Vested Benefits are benefits payable to members or beneficiaries under the conditions of the Trust Deed, on the basis of all members ceasing to be members of the Fund at balance date.

	2019 NZ\$	2018 NZ\$
Conservative Fund	178,145,249	151,273,475
Balanced Fund	4,499,090	3,023,839
Growth Fund	3,026,216	1,812,257
<b>Total</b>	<b>185,670,555</b>	<b>156,109,571</b>

The 2018 vested benefits have been re-stated this year to be consistent with the closing balances of the Compulsory Accounts. The previous 2018 vested benefits were:

	2018 NZ\$
Conservative Fund	151,271,064
Balanced Fund	2,801,139
Growth Fund	2,037,368
<b>Total</b>	<b>156,109,571</b>

### 7. Guaranteed Benefits

No guarantees have been made in respect of any part of the liability for promised benefits (2018: Nil).

## COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements

For the year ended 31 December 2019

### 8. Liability for Accrued Benefits

#### a) Changes in Accrued Benefits allocated to Compulsory Accounts

	Total	Total	Conservative	Conservative	Balanced	Balanced	Growth	Growth	Reserve	Reserve
	2019	2018	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund
	NZ\$	NZ\$	2019	2018	2019	2018	2019	2018	2019	2018
			NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$
Opening Balance	156,109,571	146,104,631	151,273,475	142,389,718	3,023,839	2,274,690	1,812,257	1,440,223	-	-
Contributions	20,305,058	15,582,913	18,595,841	15,115,948	867,865	268,708	841,352	198,257	-	-
Withdrawals	(7,103,985)	(3,360,668)	(6,896,080)	(3,360,668)	(97,119)	-	(110,786)	-	-	-
Switches In	1,240,653	861,817	517,050	13,635	413,849	490,798	309,755	357,384	-	-
Switches Out	(1,240,653)	(861,817)	(837,471)	(487,048)	(179,224)	(346,569)	(223,958)	(28,200)	-	-
Insurance Proceeds	474,073	382,386	474,073	382,386	-	-	-	-	-	-
Group Insurance Expense	(506,625)	(374,097)	(481,128)	(362,088)	(19,907)	(6,921)	(5,590)	(5,088)	-	-
Interest Allocation - Member	8,922,518	(1,105,040)	8,431,936	(992,074)	285,033	(64,885)	205,549	(61,128)	-	13,047
Interest Allocation - Employer	9,075,265	(1,120,555)	8,608,659	(1,032,024)	241,034	(49,458)	225,572	(52,120)	-	13,047
Transfer from/(to) Reserve Account	(1,605,319)	-	(1,541,106)	(394,310)	(36,280)	457,476	(27,933)	(37,072)	-	(26,094)
<b>Closing Balance</b>	<b>185,670,555</b>	<b>156,109,571</b>	<b>178,145,249</b>	<b>151,273,475</b>	<b>4,499,090</b>	<b>3,023,839</b>	<b>3,026,217</b>	<b>1,812,257</b>	<b>-</b>	<b>-</b>

#### b) Changes in Accrued Benefits allocated to the General Reserve Account

	Total	Total	Conservative	Conservative	Balanced	Balanced	Growth	Growth	Reserve	Reserve
	2019	2018	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund
	NZ\$	NZ\$	2019	2018	2019	2018	2019	2018	2019	2018
			NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$
Opening Balance	500,000	500,000	-	-	-	-	-	-	500,000	500,000
Interest Allocation - General Reserve	46,500	-	-	-	-	-	-	-	46,500	-
Transfer (to)/from Compulsory Account	1,539,670	-	-	-	-	-	-	-	1,539,670	-
<b>Closing Balance</b>	<b>2,086,170</b>	<b>500,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,086,170</b>	<b>500,000</b>

#### c) Changes in Accrued Benefits allocated to the Pension Reserve Account

	Total	Total	Conservative	Conservative	Balanced	Balanced	Growth	Growth	Reserve	Reserve
	2019	2018	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund
	NZ\$	NZ\$	2019	2018	2019	2018	2019	2018	2019	2018
			NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$
Opening Balance	215,341	215,341	-	-	-	-	-	-	215,341	215,341
Interest Allocation - Pension Reserve	20,027	-	-	-	-	-	-	-	20,027	-
<b>Closing Balance</b>	<b>235,368</b>	<b>215,341</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>235,368</b>	<b>215,341</b>
<b>Total Liability for Accrued Benefits</b>	<b>187,992,093</b>	<b>156,824,912</b>	<b>178,145,249</b>	<b>151,273,475</b>	<b>4,499,090</b>	<b>3,023,839</b>	<b>3,026,217</b>	<b>1,812,257</b>	<b>2,321,538</b>	<b>715,341</b>

## COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements

For the year ended 31 December 2019

### 9. Reconciliation of Increase in Net Assets to Net Cash Flows from Operating Activities

	Total 2019 NZ\$	Total 2018 NZ\$	Conservative Fund 2019 NZ\$	Conservative Fund 2018 NZ\$	Balanced Fund 2019 NZ\$	Balanced Fund 2018 NZ\$	Growth Fund 2019 NZ\$	Growth Fund 2018 NZ\$	Reserve Fund 2019 NZ\$	Reserve Fund 2018 NZ\$
Increase in Net Assets During the Year	31,167,179	10,004,941	26,871,773	8,883,757	1,475,250	749,149	1,213,959	372,035	1,606,197	-
<b>(Less)/Add Non Cash Items:</b>										
(Gains)/Losses on Investments at Fair Value	(16,919,674)	1,369,092	(15,957,935)	1,142,110	(521,859)	110,089	(439,880)	116,893	-	-
Distributions Received	(3,742,247)	(1,604,727)	(3,651,120)	(1,526,696)	(59,037)	(41,301)	(32,090)	(36,730)	-	-
Investment Management Fees	-	1,040,101	-	1,009,042	-	18,202	-	12,856	-	-
Depreciation Expense	129,406	111,803	124,229	108,215	2,925	2,065	2,252	1,523	-	-
Cook Islands Net Expense	-	(249,828)	-	(241,809)	-	(4,615)	-	(3,404)	-	-
PIE Tax Expense	-	31,808	-	30,637	-	704	-	467	-	-
Asset Allocation to Reserve	-	-	1,541,106	(83,814)	36,280	(195,309)	27,933	253,029	(1,605,319)	26,094
<b>(Less)/Add Movements in Other Working Capital Items:</b>										
Decrease in Contributions Receivable	(427,568)	314,523	(399,217)	306,827	(15,526)	2,010	(12,825)	5,686	-	-
Decrease in Cook Islands Prepayments	-	9,555	-	9,318	-	145	-	92	-	-
Increase/(Decrease) in Accounts Payable	67,784	(23,024)	56,553	(23,268)	8,298	18	2,933	226	-	-
Decrease in Group Life Premiums Payable	-	(90,750)	-	(89,340)	-	(1,380)	-	(30)	-	-
Increase/(Decrease) in Benefits Payable	4,578	(46,497)	4,578	(46,497)	-	-	-	-	-	-
Decrease in Forfeited Benefits Payable	-	(99,220)	-	-	-	-	-	-	-	(99,220)
Increase in PIE Tax Payable	12,281	7,333	10,663	7,074	855	109	763	150	-	-
<b>Net Cash Flows from Operating Activities</b>	<b>10,291,739</b>	<b>10,775,110</b>	<b>8,600,630</b>	<b>9,485,557</b>	<b>927,186</b>	<b>639,886</b>	<b>763,045</b>	<b>722,793</b>	<b>878</b>	<b>(73,126)</b>

## COOK ISLANDS NATIONAL SUPERANNUATION FUND

### Notes to the Financial Statements

For the year ended 31 December 2019

#### 10. Cook Islands Office Income and Expenses

A proportion of the Cook Islands Office expenses were funded directly by the Cook Islands Government through a budget appropriation referred to as POBOC. These expenses are then paid directly by the Fund and include items such as legal fees, salaries, direct expenses of the Cook Islands National Superannuation Board, as well as various administrative expenses incurred in the running of the Cook Islands Office. The POBOC funding ceased in June 2018.

During the year ended 31 December 2019 the Fund received POBOC funding from the Cook Islands Government of \$Nil (2018: \$33,612) which was used to pay for some of the total Cook Islands Office expenses which are set out below:

	2019 NZ\$	2018 NZ\$
Legal and Professional Fees	3,644	-
Salaries and Personnel Costs	394,532	411,104
Other Expenses	378,411	380,980
<b>Cook Islands Office Expenses</b>	<b>776,587</b>	<b>792,084</b>

#### 11. Financial Instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in the accounting policies.

The Trustee has approved a Statement of Investment Policies and Objectives which establishes investment objectives and target asset allocations for the Fund. Performance against these targets is reviewed at least quarterly by the Trustee and asset reallocations undertaken as required.

	Total 2019 NZ\$	Conservative Fund 2019 NZ\$	Balanced Fund 2019 NZ\$	Growth Fund 2019 NZ\$	Reserve Fund 2019 NZ\$
<b>Financial instruments by category</b>					
<b>Financial assets at fair value through profit or loss</b>					
Investments at fair value through profit or loss	183,533,561	176,077,630	4,313,150	3,142,781	-
<b>Financial assets at amortised cost</b>					
Cash at bank	3,546,658	2,346,369	187,826	(122,419)	1,134,882
Receivables	1,844,221	1,768,679	42,681	32,861	-
<b>Total financial assets</b>	<b>188,924,440</b>	<b>180,192,678</b>	<b>4,543,657</b>	<b>3,053,223</b>	<b>1,134,882</b>
<b>Financial liabilities at amortised cost</b>					
Accounts payable	181,056	166,190	10,389	4,477	-
Other payables	11,036	11,036	-	-	-
<b>Total financial liabilities</b>	<b>192,092</b>	<b>177,226</b>	<b>10,389</b>	<b>4,477</b>	<b>-</b>

## COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements

For the year ended 31 December 2019

### 11. Financial Instruments (Cont'd)

	Total 2018 NZ\$	Conservative Fund 2018 NZ\$	Balanced Fund 2018 NZ\$	Growth Fund 2018 NZ\$	Reserve Fund 2018 NZ\$
<b>Financial instruments by category</b>					
<b>Financial assets at fair value through profit or loss</b>					
Investments at fair value through profit or loss	153,182,154	148,464,200	2,814,313	1,903,641	-
<b>Financial assets at amortised cost</b>					
Cash at bank	3,126,264	1,908,473	188,679	(104,892)	1,134,004
Receivables	1,455,908	1,404,218	31,655	20,035	-
<b>Total financial assets</b>	<b>157,764,326</b>	<b>151,776,891</b>	<b>3,034,647</b>	<b>1,818,784</b>	<b>1,134,004</b>
<b>Financial liabilities at amortised cost</b>					
Accounts payable	113,272	109,637	2,091	1,544	-
Other payables	6,458	6,458	-	-	-
<b>Total financial liabilities</b>	<b>119,730</b>	<b>116,095</b>	<b>2,091</b>	<b>1,544</b>	<b>-</b>

#### Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments which potentially expose the Fund to credit risk consist of cash, receivables, and investments in unitised funds. The maximum credit exposure to credit risk is the carrying value of these financial assets.

Credit risk management activities are undertaken by the investment manager in accordance with investment mandate set by the Trustee.

#### Liquidity Risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligation to pay members. However, to control liquidity risk, the Fund invests in financial assets, which are readily redeemable. In addition, the Fund invests within established limits to ensure there is no concentration of risk. There are no significant financial liabilities.

#### Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Due to the unitised nature of the investments it is not practical to determine the sensitivity of the unit price to changes in foreign exchange rates, interest rates, or other market factors of the underlying investments. Risk management activities are undertaken by the Fund's investment manager to operate within the guidelines provided by the Trustee.

#### Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund has an indirect exposure to currency risk through its investments in the Russell Global Opportunities Fund \$NZ Hedged Class B and the Russell Global Bond Fund Class B. Currency hedging is used by the Investment Manager to hedge the exposure back to New Zealand dollars.



# COOK ISLANDS NATIONAL SUPERANNUATION FUND

## Notes to the Financial Statements

For the year ended 31 December 2019

### 11. Financial Instruments (Cont'd)

#### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of interest-bearing financial instruments will fluctuate because of changes in market interest rates. The Fund is indirectly exposed to interest rate risk in that future interest rate movements will indirectly affect the valuation of investments in unithised funds which invest in cash and fixed interest investments. There is no maturity period for unithised investments.

Interest rate risk management activities are undertaken by the Investment Manager in accordance with the investment mandate set by the Trustee.

#### Other Price Risk

Other price risk is the risk that the value of the Fund's investments will decrease due to a change in the unit prices of the Fund's unithised funds.

As at 31 December 2019 the Fund is exposed to other price risk through its investments in Funds managed by Russell Investment Management Limited.

A ten percent decrease/increase in the unit prices of the Fund's investments in the unithised funds would have an adverse/positive impact on the value of the Funds assets of:

	Total 2019 NZ\$	Total 2018 NZ\$	Conservative Fund 2019 NZ\$	Conservative Fund 2018 NZ\$	Balanced Fund 2019 NZ\$	Balanced Fund 2018 NZ\$	Growth Fund 2019 NZ\$	Growth Fund 2018 NZ\$
+ / (-) 10% increase/decrease	18,353,356	15,318,215	17,607,763	14,846,420	431,315	281,431	314,278	190,364

#### Capital Management

Net assets available to pay benefits are considered to be the Fund's capital for the purposes of capital management. The Fund does not have to comply with externally imposed capital requirements.

The Fund's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns to its members and maximise the Fund's members value.

#### Investment Strategy

The Fund's investment objectives are to exceed the New Zealand Consumer Price Index (CPI) net of fees and tax measured over rolling 3-year periods per investment fund choice as listed below:

Conservative Fund	2.0%
Balanced Fund	3.5%
Growth Fund	4.5%

To meet these investment objectives, net contributions per investment fund choice are invested into the following asset mixes:-

	Conservative	Balanced	Growth
Growth Assets (Equities)	30%	60%	80%
Income Assets (Bonds)	70%	40%	20%

#### Trust Name

Russell Global Bond Fund Class B

Russell Global Opportunities Fund \$NZ Hedged Class B

Russell Investments NZ Shares Fund

Russell Investments NZ Fixed Interest Fund

#### Sector Domiciled

Income Assets Australia

Growth Assets Australia

Growth Assets New Zealand

Income Assets New Zealand

## COOK ISLANDS NATIONAL SUPERANNUATION FUND

### Notes to the Financial Statements

For the year ended 31 December 2019

#### 12. Actuarial Valuation

The most recent actuarial valuation dated 2 November 2017 was undertaken by Marcelo Lardies, of Aon New Zealand, Fellow of the New Zealand Society of Actuaries. The actuarial valuation was based on the Fund's financial and membership information as at 31 December 2016. The next actuarial valuation will be based on the Fund's financial and membership information as at 31 December 2019.

The results of the 2016 actuarial valuation show that the Fund has a small excess of assets over liabilities as follows:-

Value of Accrued Benefits

	NZ\$
Members' Accounts	117,706,509
Pensioners' Liabilities	<u>5,042,409</u>
Total Accrued Benefits (A)	122,748,918
Value of Assets (B)	<u>122,757,138</u>
Surplus (B - A)	8,220

The Fund's Actuary calculated the Pensioners' Liabilities of \$5,042,409 as the present value of the expected future pension payments to existing pensioners and their spouses (if applicable).

The Fund's Actuary also stated that provided the Fund's future experience is broadly consistent with the assumptions used in the actuarial valuation and the Trustee continues to manage the declared rate (the interest rate credited to members' accounts) so that the sum of the Pension, Reserve and Pension Reserve Accounts exceed the value of the pensioner liabilities then:

- no specific, additional funding is required in respect of the pensioners, and
- the Fund will continue to have an excess of assets over liabilities over the following 12 months period.

The Fund's Actuary also recommended that the Trustee adopts a new set of pension conversion rates for new pensioners (no change for current pensioners). The CINSF Board agreed that the recommendations contained in the Report will be adopted with effect from 1 February 2018.

The 2019 actuarial valuation will be completed mid May 2020. The results of the 2019 valuation will be reported in the 2020 financial statements.

#### 13. Reserve Account Policy

Amounts in the Reserve Account may be applied by the Trustee:

- (a) to the credit of one or more member accounts, pension accounts, or the pension reserve account;
- (b) to make a payment under clause 67 of the Trust Deed;
- (c) to pay particular fund expenses;
- (d) to meet general fund expenses; or
- (e) to pay insurance premiums under clause 63 of the Trust Deed.

## COOK ISLANDS NATIONAL SUPERANNUATION FUND

### Notes to the Financial Statements

For the year ended 31 December 2019

#### 14. Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective fair values, determined in accordance with the Fund's accounting policies.

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement requires judgement, considering factors specific to the asset or liability. The determination of what constitutes 'observable' requires significant judgement by the Trustee. The Trustee considers 'observable' data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Fund's financial assets and liabilities (by class) measured at fair value:

<b>Financial Assets at 31 December 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Fair Value Measurements</b>				
Unitised Investment Funds				
Russell Global Opportunities Fund \$NZ Hedged Class B	-	42,285,662	-	42,285,662
Russell Global Bond Fund Class B	-	96,053,635	-	96,053,635
Russell Investments NZ Shares Fund	-	21,737,752	-	21,737,752
Russell Investments NZ Fixed Interest Fund	-	23,456,513	-	23,456,513
<b>Total Financial Assets</b>	<b>-</b>	<b>183,533,562</b>	<b>-</b>	<b>183,533,562</b>

<b>Financial Assets at 31 December 2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Fair Value Measurements</b>				
Unitised Investment Funds				
Russell Global Opportunities Fund \$NZ Hedged Class B	-	28,946,255	-	28,946,255
Russell Global Bond Fund Class B	-	85,296,731	-	85,296,731
Russell Investments NZ Shares Fund	-	16,967,394	-	16,967,394
Russell Investments NZ Fixed Interest Fund	-	21,971,774	-	21,971,774
<b>Total Financial Assets</b>	<b>-</b>	<b>153,182,154</b>	<b>-</b>	<b>153,182,154</b>

As the investments are unlisted and fair value is based on prices determined by the investment manager, they have been classified in both 2019 and 2018 financial periods as level 2.

There were no transfers between levels during the year.

## COOK ISLANDS NATIONAL SUPERANNUATION FUND

### Notes to the Financial Statements

For the year ended 31 December 2019

#### 15. Property, Plant and Equipment

The following property, plant and equipment assets are held in the Cook Islands Office as at year end:

	Total 2019 NZ\$	Total 2018 NZ\$	Conservative Fund 2019 NZ\$	Conservative Fund 2018 NZ\$	Balanced Fund 2019 NZ\$	Balanced Fund 2018 NZ\$	Growth Fund 2019 NZ\$	Growth Fund 2018 NZ\$
<b>Furniture and Fittings</b>								
At Cost	28,473	32,945	27,613	32,059	508	533	352	353
Depreciation Expense for the Year	4,018	(2,774)	3,858	(2,552)	90	(107)	70	(115)
Accumulated Depreciation	(14,714)	(18,733)	(14,265)	(18,229)	(266)	(303)	(183)	(201)
	13,759	14,212	13,348	13,830	242	230	169	152
<b>Equipment</b>								
At Cost	95,888	115,324	92,992	112,225	1,711	1,864	1,185	1,235
Depreciation Expense for the Year	34,400	(10,521)	33,024	(9,413)	777	(520)	599	(588)
Accumulated Depreciation	(64,908)	(99,308)	(62,926)	(96,639)	(1,172)	(1,605)	(810)	(1,064)
	30,980	16,016	30,066	15,586	539	259	375	171
<b>Motor Vehicle</b>								
At Cost	25,301	25,300	24,536	24,620	452	409	313	271
Depreciation Expense for the Year	(5,060)	(2,925)	(4,858)	(2,847)	(114)	(47)	(88)	(31)
Accumulated Depreciation	(8,349)	(3,289)	(8,094)	(3,201)	(151)	(53)	(104)	(35)
	16,952	22,011	16,442	21,419	301	356	209	236
<b>IT System</b>								
At Cost	600,207	355,188	582,078	345,642	10,711	5,742	7,418	3,804
Depreciation Expense for the Year	(162,764)	(95,583)	(156,253)	(92,998)	(3,678)	(1,554)	(2,833)	(1,031)
Accumulated Depreciation	(266,389)	(103,627)	(258,258)	(100,842)	(4,810)	(1,676)	(3,321)	(1,109)
	333,819	251,561	323,820	244,800	5,902	4,066	4,097	2,695
<b>Net Book Value</b>	<b>395,510</b>	<b>303,800</b>	<b>383,676</b>	<b>295,635</b>	<b>6,984</b>	<b>4,911</b>	<b>4,850</b>	<b>3,254</b>

## COOK ISLANDS NATIONAL SUPERANNUATION FUND

### Notes to the Financial Statements

For the year ended 31 December 2019

#### 16. Contributions Receivable

	Total 2019 NZ\$	Total 2018 NZ\$	Conservative Fund 2019 NZ\$	Conservative Fund 2018 NZ\$	Balanced Fund 2019 NZ\$	Balanced Fund 2018 NZ\$	Growth Fund 2019 NZ\$	Growth Fund 2018 NZ\$
<b>Contributions Receivable - Member</b>								
Gross Contributions Receivable - Member	959,070	744,032	920,707	720,153	21,675	13,741	16,688	10,138
Provision for non-recovery of contributions - Member	(22,149)	(26,868)	(22,149)	(26,868)	-	-	-	-
<b>Net Contributions Receivable - Member</b>	<b>936,921</b>	<b>717,164</b>	<b>898,558</b>	<b>693,285</b>	<b>21,675</b>	<b>13,741</b>	<b>16,688</b>	<b>10,138</b>
<b>Contributions Receivable - Employer</b>								
Gross Contributions Receivable - Employer	929,449	726,356	892,271	703,045	21,006	13,414	16,172	9,897
Provision for non-recovery of contributions - Employer	(22,149)	(26,868)	(22,149)	(26,868)	-	-	-	-
<b>Net Contributions Receivable - Employer</b>	<b>907,299</b>	<b>699,488</b>	<b>870,121</b>	<b>676,177</b>	<b>21,006</b>	<b>13,414</b>	<b>16,172</b>	<b>9,897</b>

The provision for non-recovery of contribution provisions represents 100% (2018: 100%) of the estimated value of outstanding contributions that certain employers and employees are presently obliged to contribute that are not yet recovered.

#### 17. Related Parties

The Fund holds no investments in any of the employer companies or any of their related parties and during the period had no related party transactions.

#### 18. Privy Council Decision

At a hearing in the High Court of the Cook Islands in 2013, the Minister responsible for the Fund took action against various parties relating to the non-payment of compulsory contributions as mandated under the Cook Islands National Superannuation Fund Act 2000. In February 2014 a judgement was issued which concluded that the compulsory nature of contributions was a breach of the Articles of the Cook Islands Constitution and a declaration that the Act was invalid was issued on 31 March 2014. The Minister appealed the High Court decision. The Court of Appeal judgement issued in November 2014 found that the Act does comply with the Cook Islands Constitution.

The Respondents were granted leave to appeal to the Privy Council. The judgement of the Privy Council issued in November 2016 found that the Act does comply with the Cook Islands constitution. The judgement allowed the appeal on the grounds that the employer contributions of migrant workers forfeited to the Fund under Section 53 of the Act were unjustifiably discriminatory in relation to the Constitution and invited written submissions. However, given the decision to allow the appeal in relation to employer contributions of migrant workers the Trustee in consultation with the Cook Islands National Superannuation Board initiated a repayment plan to impacted members.

The balance of this obligation as at 31 December 2019 is \$1,096,470 (2018: \$1,096,470).

## **COOK ISLANDS NATIONAL SUPERANNUATION FUND**

### **Notes to the Financial Statements**

**For the year ended 31 December 2019**

#### **19. Events after Balance Date**

Subsequent to balance date, the Fund was informed by the Ministry of Finance and Economic Management that they are conducting a review of the Fund's VAT liability in respect of imported supplies.

Since December 2019, there has been significant volatility in financial markets following the outbreak of the Covid-19 virus in January 2020. This volatility, and in particular the recent falls in equity markets, has resulted in a short term reduction in the value of the Fund's assets since 31 December 2019. However this reduction is considered a non-adjusting post balance date event. The medium to long term impact of the Covid-19 virus on financial markets remains unclear, but the Trustee will continue to monitor the Fund's position over coming months.

Subsequent to balance date, the Fund accepted a recommendation from the Minister of Cook Islands National Superannuation Fund to reduce mandated contribution rates from 5% to 3% for the period of 1 April 2020 to 30 June 2020. The purpose of the reduction is to provide relief to both employees and employers due to the impact of the Covid-19 epidemic on the Cook Islands economy. The Cook Islands Government has initiated a wage subsidy scheme recognising that the tourism industry is severely impacted due to border restrictions. The cost of the contribution reduction is estimated at \$1.9 million. At 30 June 2020 this measure will be reviewed.