

**COOK ISLANDS NATIONAL
SUPERANNUATION FUND**

Financial Statements

For the year ended 31 December 2021

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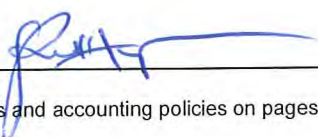
COOK ISLANDS NATIONAL SUPERANNUATION FUND

Statement of Net Assets

As at 31 December 2021

	Note	Total December 2021 NZ\$	Total December 2020 NZ\$
ASSETS			
Cash at Bank		2,047,476	5,041,858
Cash at Cook Islands Bank	19	1,635,213	4,479,748
Sundry Debtors		2,267	2,267
Contributions Receivable - Member	16	750,714	475,376
Contributions Receivable - Employer	16	537,144	411,803
Investments at Fair Value Through Profit or Loss	4	215,936,266	201,711,562
Unsettled Trade	4	(543,929)	-
Property, Plant and Equipment	15	692,772	668,148
Right-of-Use Asset		165,803	239,494
Total Assets		221,223,726	213,030,256
Less LIABILITIES			
Accounts Payable		(145,686)	(226,700)
Benefits Payable		(17,855)	(4,974)
Government Wage Subsidies Payable	19	(938,444)	(3,197,777)
Forfeited Benefits Payable	18	(1,087,764)	(1,087,764)
PIE Tax Payable		(42,876)	(25,042)
Lease Liabilities		(176,585)	(239,807)
Total Liabilities		(2,409,210)	(4,782,064)
Assets allocated to Reserve		-	-
NET ASSETS AVAILABLE FOR BENEFITS		218,814,516	208,248,192
LIABILITY FOR ACCRUED BENEFITS			
<i>Represented by:</i>			
Member Accounts		106,775,090	100,410,982
Employer Accounts		109,667,669	105,527,807
Reserve Account		2,113,597	2,058,030
Pension Accounts		258,160	251,373
	8	218,814,516	208,248,192

For and on behalf of the Trustee, Public Trust, who authorised the issue of these financial statements on 23 June 2022



Date: 23 June 2022

The notes and accounting policies on pages 7 to 18 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 2021

	Note	Total December 2021 NZ\$	Total December 2020 NZ\$
INVESTMENT ACTIVITIES			
Investment Revenue			
(Losses)/Gains on Investments at Fair Value Through Profit or Loss	5	(6,929,792)	5,094,857
Distributions Received		15,651,074	11,713,248
Lease Revenue		27,200	9,067
Interest Received		13,114	33,639
		<u>8,761,596</u>	<u>16,850,811</u>
Investment Expenses			
Investment Management Fees (Net of Rebates)		<u>(1,166,815)</u>	<u>(1,183,755)</u>
Net Investment Revenue		<u>7,594,782</u>	<u>15,667,056</u>
OTHER INCOME			
Insurance Proceeds Received		612,272	121,199
Cook Islands Government Funding		<u>150,000</u>	<u>-</u>
		<u>762,272</u>	<u>121,199</u>
OTHER EXPENSES			
Cook Islands Office Expenses	10	(1,119,435)	(900,087)
Administration Fees		(532,251)	(516,796)
Auditor's Remuneration - Other Services		(8,625)	(2,990)
Auditor's Remuneration - Audit Fees		(36,733)	(37,808)
Group Insurance Premiums		(840,753)	(683,861)
Bank Fees		(4,680)	(3,637)
Trustee Fees		(72,916)	(62,470)
Consulting Fees		(50,602)	(72,470)
General Expenses		(19,876)	(19,379)
Depreciation Expense on Property, Plant and Equipment	15	(355,433)	(252,597)
Interest Expense on Lease Liabilities		(28,777)	(25,498)
Depreciation Expense for the Right-of-Use Asset		(73,690)	(55,268)
Government Grant 1 Expenses - consulting fees		(29,700)	-
Government Grant 2 Expenses - consulting fees		(5,455)	-
Total Other Expenses		<u>(3,178,926)</u>	<u>(2,632,861)</u>
Surplus before Taxation and Membership Activities		<u>5,178,127</u>	<u>13,155,394</u>
Income Tax Expense	3	<u>(71,017)</u>	<u>(46,999)</u>
Surplus after Taxation and before Membership Activities		<u>5,107,110</u>	<u>13,108,395</u>

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Statement of Changes in Net Assets (Cont'd)

For the year ended 31 December 2021

	Note	Total December 2021 NZ\$	Total December 2020 NZ\$
MEMBERSHIP ACTIVITIES			
Contributions			
Member Contributions		7,037,739	5,265,122
Member Voluntary Contributions		795,286	396,437
Employer Contributions		6,886,722	5,230,493
Penalty Fees		7,781	5,211
Transfer In		2,733,047	2,604,856
Unallocated Contributions		263,810	555,845
Total Contributions		17,724,386	14,057,964
Benefits Paid			
Retirement		(5,439,896)	(1,256,937)
Death		(695,328)	(68,755)
Insurance Proceeds Paid		(612,272)	(121,199)
Pensions Paid		(813,135)	(775,052)
Temporary Permanent Disablement		(81,544)	(60,033)
Serious Illness		(47,000)	(71,659)
Expatriate Withdrawal Benefit		(1,842,877)	(1,951,770)
Transfer Out		(2,733,047)	(2,604,855)
Total Benefits Paid		(12,265,100)	(6,910,260)
Switches In		8,508,485	1,491,491
Switches Out		(8,508,485)	(1,491,491)
Switches Fee		(75)	-
Net Membership Activities		5,459,211	7,147,704
Increase in Net Assets During the Year		10,566,321	20,256,099
(Decrease)/Increase in Net Assets Allocated to Reserve		-	-
Increase in Net Assets During the Year		10,566,321	20,256,099
Benefits Accrued			
Allocated to:			
Member Accounts		6,364,105	9,054,323
Employer Accounts		4,139,862	11,213,910
Reserve Account		62,354	(12,134)
		10,566,321	20,256,099

The notes and accounting policies on pages 7 to 18 form an integral part of these financial statements.

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Statement of Cash Flows

For the year ended 31 December 2021

	Note	Total December 2021 NZ\$	Total December 2020 NZ\$
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash provided from</i>			
Member Contributions		6,762,403	5,726,667
Member Voluntary Contributions		795,286	396,437
Employer Contributions		6,761,383	5,725,989
Penalty Fees		7,781	5,211
Transfer In		2,733,047	2,604,856
Unallocated Contributions		263,810	555,845
Switches In		8,508,485	1,491,491
Interest Received		13,115	33,639
Insurance Proceeds Received		612,272	121,199
Cook Islands Government Wage Subsidy Funding	19	51,500,000	43,500,000
Lease Revenue		27,200	6,800
Government Grant 1		150,000	-
		<u>78,134,782</u>	<u>60,168,134</u>
<i>Cash applied to</i>			
Retirement		(5,439,896)	(1,256,937)
Death		(695,328)	(68,755)
Insurance Proceeds Paid		(612,272)	(121,199)
Pensions Paid		(813,135)	(775,052)
Temporary Permanent Disablement		(81,544)	(60,033)
Serious Illness		(47,000)	(71,659)
Expatriate Withdrawal Benefit		(1,829,996)	(1,957,832)
Transfer Out		(2,733,047)	(2,604,855)
Switches Out		(8,508,485)	(1,491,491)
General and Other Expenses		(2,736,475)	(2,256,576)
Bank Fees		(4,680)	(4,070)
Income Tax Paid		(28,212)	(73,642)
Cook Islands Government Wage Subsidy	19	(53,758,900)	(40,302,224)
Principal Portion of Lease Liabilities		(44,102)	(35,836)
Interest Expense on Lease Liabilities		(28,777)	(25,498)
Government Grant 1 Expenses - consulting fees		(29,700)	-
Government Grant 2 Expenses - consulting fees		(5,455)	-
Switches Fee		(75)	-
		<u>(77,397,079)</u>	<u>(51,105,659)</u>
Net Cash Flows from Operating Activities	9	<u>737,703</u>	<u>9,062,475</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash provided from</i>			
Sale of Investments		106,746,777	1,600,676
<i>Cash applied to</i>			
Purchase of Investments		<u>(113,323,397)</u>	<u>(4,688,203)</u>
Net Cash Flows used in Investing Activities		<u>(6,576,620)</u>	<u>(3,087,527)</u>
Net (Decrease)/Increase in Cash Held		(5,838,917)	5,974,948
Cash at Beginning of the Year		9,521,606	3,546,658
Cash at End of the Year		<u>3,682,689</u>	<u>9,521,606</u>

The notes and accounting policies on pages 7 to 18 form an integral part of these financial statements.

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements

For the year ended 31 December 2021

1. Scheme Description

The Cook Islands National Superannuation Fund (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 House, Avarua, Rarotonga, Cook Islands.

Funding Arrangements

In 2019 member and contribution rates were 5% of pensionable salary in accordance with the Cook Islands National Superannuation Act 2000. Due to the COVID-19 pandemic, the Fund was approached by government to assist with its Economic Response Package, to allow for a temporary reduction in contribution rates to provide financial relief to members. After reviewing the recommendation received from the Cook Islands Government, the Trustee and Board approved a rate reduction. In accordance with the COVID-19 (Cook Islands National Superannuation) Act 2020, from 1 April 2020 to 30 June 2020, member and employer contribution rates were reduced from 5% to 3% of pensionable salary. Then from 1 July 2020 to 30 September 2020, the rate was reduced further to 1% of pensionable salary. Due to the COVID-19 pandemic situation not improving by September 2020, a request from the Cook Islands Government was received to extend the reduced contribution rates. The Board and Trustee approved that from 1 September 2020 to 31 December 2020, businesses who received a business grant or wages subsidy were eligible for the 1% reduced rate, and businesses who did not qualify for a business grant or wage subsidy were required to contribute at the 5% rate, as set out in the COVID-19 (Cook Islands National Superannuation) No. 2 Act 2020. This Act also allows for a possible extension to 31 March 2021.

The reduction in contribution rates was extended to 30 June 2021 where the rates continued at 1% for qualifying businesses and 5% for those businesses that did not qualify. From 1 July 2021 to 7 September 2021 all businesses were required to deduct contributions at 5%.

Effective from 8 September 2021 the rates for qualifying businesses was again reduced to 1% and 5% for those businesses that did not qualify. The 1% deduction for qualifying businesses ended on 28 February 2022. From 1 March 2022 all businesses were required to deduct contributions at 5%.

Termination Terms

The Trust Deed sets out the basis on which the Fund can be terminated. Clause 145 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

The Trust Deed was amended with effect from 1 April 2021. The amendment enables pensioners suffering a terminal illness to withdraw the Pension Account balance. Members with a Compulsory Account balance between \$15,000 and \$45,000 may opt to withdraw the Compulsory Account balance or receive a pension. Pensioners may withdraw the Pension Account balance if this was less than \$45,000 at the time they became a pensioner.

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.

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements

For the year ended 31 December 2021

3. Summary of Significant Accounting Policies

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.

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

After due enquiry, there were no new standards, amendments and interpretations to existing standards that were effective and adopted by the Fund during the year.

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 is exempt from tax in the Cook Islands under the CINS Act 2000.

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 income 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 2021

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 2021

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 (2020: Adoption of NZ IFRS 16 Leases. In April 2020 the Fund became lessee of ANZ House in Avarua, Rarotonga, Cook Islands. The Fund also sub-leased the ground floor of ANZ House in September 2020).

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements

For the year ended 31 December 2021

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

	Total	Conservative	Balanced	Growth Fund
	2021	Fund	Fund	Fund
	NZ\$	2021	2021	2021
		NZ\$	NZ\$	NZ\$
Russell Global Bond Fund Class B	110,107,615	103,084,038	5,159,469	1,864,108
Russell Global Opportunities Fund \$NZ Unhedged Class A	27,122,177	19,640,179	3,797,696	3,684,302
Russell Investments NZ Shares Fund	24,873,115	18,253,429	3,536,159	3,083,527
Russell Investments NZ Fixed Interest Fund	27,622,922	25,978,361	1,224,961	419,600
Russell Investments Hedged Global Shares Fund	25,666,508	18,654,152	3,647,838	3,364,518
Total Investments	215,392,337	185,610,159	17,366,123	12,416,055

	Total	Conservative	Balanced	Growth Fund
	2020	Fund	Fund	Fund
	NZ\$	2020	2020	2020
		NZ\$	NZ\$	NZ\$
Russell Global Opportunities Fund \$NZ Hedged Class B	47,009,546	42,390,231	2,199,387	2,419,928
Russell Global Bond Fund Class B	104,441,233	102,264,807	1,543,308	633,118
Russell Investments NZ Shares Fund	25,419,214	22,999,874	1,179,040	1,240,300
Russell Investments NZ Fixed Interest Fund	24,841,569	24,320,999	369,017	151,553
Total Investments	201,711,562	191,975,911	5,290,752	4,444,899

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

	Total	Conservative	Balanced	Growth Fund
	2021	Fund	Fund	Fund
	NZ\$	2021	2021	2021
		NZ\$	NZ\$	NZ\$
Russell Global Opportunities Fund \$NZ Hedged Class B	(227,075)	122,948	(322,938)	(27,085)
Russell Global Opportunities Fund \$NZ Unhedged Class B	1,417,067	1,528,623	(193,875)	82,319
Russell Global Bond Fund Class B	(7,885,579)	(7,578,649)	(251,006)	(55,924)
Russell Global Opportunities Fund \$NZ Unhedged Class A	1,076,716	805,569	151,134	120,013
Russell Investments NZ Shares Fund	(249,255)	(144,245)	107,353	(212,363)
Russell Investments NZ Fixed Interest Fund	(1,650,389)	(1,461,444)	(142,780)	(46,165)
Russell Investments Hedged Global Shares Fund	588,723	626,937	95,202	(133,416)
Total (Losses)/Gains on Investments at Fair Value Through Profit or Loss	(6,929,792)	(6,100,261)	(556,910)	(272,621)

	Total	Conservative	Balanced	Growth Fund
	2020	Fund	Fund	Fund
	NZ\$	2020	2020	2020
		NZ\$	NZ\$	NZ\$
Russell Global Opportunities Fund \$NZ Hedged Class B	2,343,863	2,077,009	118,898	147,956
Russell Global Bond Fund Class B	(926,306)	(898,464)	(18,368)	(9,474)
Russell Investments NZ Shares Fund	2,779,843	2,509,032	129,911	140,900
Russell Investments NZ Fixed Interest Fund	897,457	880,478	12,400	4,579
Total Gains/(Losses) on Investments at Fair Value Through Profit or Loss	5,094,857	4,568,055	242,841	283,961

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements
For the year ended 31 December 2021

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.

	Total 2021 NZ\$	Total 2020 NZ\$
Vested Benefits	216,442,759	205,938,789

7. Guaranteed Benefits

No guarantees have been made in respect of any part of the liability for promised benefits (2020: Nil).

8. Liability for Accrued Benefits

a) Changes in Accrued Benefits allocated to Compulsory Accounts

	Total 2021 NZ\$	Total 2020 NZ\$
Opening Balance	205,938,789	185,670,556
Contributions	17,724,386	14,057,964
Withdrawals	(12,265,099)	(6,901,554)
Switches In	8,508,485	1,491,491
Switches Out	(8,508,485)	(1,491,491)
Insurance Proceeds	612,272	121,199
Group Insurance Expense	(840,753)	(683,861)
Interest Allocation - Member	2,542,047	6,704,664
Interest Allocation - Employer	2,731,117	6,981,955
Transfer from/(to) Reserve Account	-	(12,134)
Closing Balance	<u>216,442,759</u>	<u>205,938,789</u>

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

	Total 2021 NZ\$	Total 2020 NZ\$
Opening Balance	2,058,030	2,086,170
Interest Allocation - General Reserve	55,567	141,860
Transfer (to)/from Compulsory Account	-	(170,000)
Closing Balance	<u>2,113,597</u>	<u>2,058,030</u>

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

	Total 2021 NZ\$	Total 2020 NZ\$
Opening Balance	251,373	235,367
Interest Allocation - Pension Reserve	6,787	16,006
Closing Balance	<u>258,160</u>	<u>251,373</u>
Total Liability for Accrued Benefits	<u>218,814,516</u>	<u>208,248,192</u>

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements
For the year ended 31 December 2021

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

	Total 2021 NZ\$	Total 2020 NZ\$
Increase in Net Assets During the Year	10,566,323	20,256,099
(Less)/Add Non Cash Items:		
Losses/(Gains) on Investments at Fair Value Through Profit or Loss	6,929,792	(5,094,857)
Distributions Received	(15,651,074)	(11,713,249)
Investment Management Fees	1,166,816	1,183,755
Depreciation Expense	355,433	252,597
PIE Tax Expense	69,821	371
Asset Allocation to Reserve	434	8,272
(Less)/Add Movements in Other Working Capital Items:		
Increase in Sundry Debtors	-	(2,267)
(Increase)/Decrease in Contributions Receivable	(400,679)	957,041
Decrease/(Increase) in Right of Use Asset	73,691	(239,494)
(Decrease)/Increase in Accounts Payable	(81,014)	45,644
(Decrease)/Increase in Government Wage Subsidies Payable	(2,259,333)	3,197,777
Increase/(Decrease) in Benefits Payable	12,881	(6,062)
Decrease in Forfeited Benefits Payable	-	(8,706)
Increase/(Decrease) in PIE Tax Payable	17,834	(14,253)
(Decrease)/Increase in Lease Liabilities	(63,222)	239,807
Net Cash Flows from Operating Activities	737,703	9,062,475

10. Cook Islands Office Expenses

The Fund's Cook Islands Office expenses are set out below:

	Total 2021 NZ\$	Total 2020 NZ\$
Legal and Professional Fees	(4,832)	(25,646)
Salaries and Personnel Costs	(633,948)	(446,071)
Other Expenses	(480,655)	(428,370)
Cook Islands Office Expenses	(1,119,435)	(900,087)

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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 2021 NZ\$	Total 2020 NZ\$
Financial instruments by category		
Financial assets at fair value through profit or loss		
Investments at fair value through profit or loss	215,936,266	201,711,562
Financial assets at amortised cost		
Cash at bank	3,682,689	9,521,606
Receivables	746,196	889,446
Total financial assets	220,365,151	212,122,614
Financial liabilities at amortised cost		
Accounts payable	145,686	226,700
Benefits payable	17,855	4,974
Government Wage Subsidies Payable	938,444	3,197,777
Lease Liabilities	176,585	239,807
Total financial liabilities	1,278,570	3,669,258

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.

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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 unitised funds which invest in cash and fixed interest investments. There is no maturity period for unitised 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 unitised funds.

As at 31 December 2021 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 unitised funds would have an adverse/positive impact on the value of the Funds assets of:

	Total 2021 NZ\$	Total 2020 NZ\$
+ / (-) 10% increase/decrease	21,593,626	20,171,156

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 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

Trust Name	Sector	Domiciled
Russell Global Bond Fund Class B	Income Assets	Australia
Russell Global Opportunities Fund \$NZ Unhedged Class A	Growth Assets	Australia
Russell Investments Hedged Global Shares Fund	Growth Assets	New Zealand
Russell Investments NZ Shares Fund	Growth Assets	New Zealand
Russell Investments NZ Fixed Interest Fund	Income Assets	New Zealand

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12. Actuarial Valuation

The most recent actuarial valuation dated 12 August 2020 was undertaken by Simon Ferry, 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 2019. The next actuarial valuation will be based on the Fund's financial and membership information as at 31 December 2022.

The results of the 2019 actuarial valuation show that the Fund has a small excess of assets over liabilities as follows:-

Value of Accrued Benefits

	NZ\$
Members' Accounts	177,129,492
Pensioners' Liabilities	<u>10,544,783</u>
Total Accrued Benefits (A)	187,674,275
Value of Assets (B)	<u>187,992,093</u>
Surplus (B - A)	317,818

The Fund's Actuary calculated the Pensioners' Liabilities of \$10,544,783 as the present value of the expected future pension payments to existing pensioners and their spouses (if applicable).

The Accrued Benefits include a Pension Reserve of \$235,367 and a General Reserve of \$2,086,170. The General Reserve includes a buffer of approximately \$1.5 million to cover potential investment strains related to COVID-19. 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 in respect of the pensioners is required, and
- the Fund will continue to have an excess of assets over accrued benefits for the following 12 month period.

The CINSF Board accepted the Actuarial Report and the pension rates set out in the Actuarial Report with an implementation date of 28 February 2021.

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 76 of the Trust Deed;
- (c) to pay particular fund expenses;
- (d) to meet general fund expenses; or
- (e) to pay insurance premiums under clause 72 of the Trust Deed.

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.

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements

For the year ended 31 December 2021

14. Fair Value (Cont'd)

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

Financial Assets at 31 December 2021	Level 1 NZ\$	Level 2 NZ\$	Level 3 NZ\$	Total NZ\$
Fair Value Measurements				
Unitised Investment Funds				
Russell Global Bond Fund Class B	-	110,107,615	-	110,107,615
Russell Global Opportunities Fund \$NZ Unhedged Class A	-	27,122,177	-	27,122,177
Russell Investments NZ Shares Fund	-	24,873,115	-	24,873,115
Russell Investments NZ Fixed Interest Fund	-	27,622,922	-	27,622,922
Russell Investments \$NZ Hedged Global Shares Fund	-	25,666,508	-	25,666,508
Total Financial Assets	-	215,392,337	-	215,392,337
Financial Assets at 31 December 2020				
	Level 1 NZ\$	Level 2 NZ\$	Level 3 NZ\$	Total NZ\$
Fair Value Measurements				
Unitised Investment Funds				
Russell Global Opportunities Fund \$NZ Hedged Class B	-	47,009,546	-	47,009,546
Russell Global Bond Fund Class B	-	104,441,233	-	104,441,233
Russell Investments NZ Shares Fund	-	25,419,214	-	25,419,214
Russell Investments NZ Fixed Interest Fund	-	24,841,569	-	24,841,569
Total Financial Assets	-	201,711,562	-	201,711,562

As the investments are unlisted and fair value is based on prices determined by the investment manager, they have been classified in both 2021 and 2020 financial periods as level 2.

There were no transfers between levels during the year.

15. Property, Plant and Equipment

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

	Total 2021 NZ\$	Total 2020 NZ\$
Furniture and Fittings		
At Cost	43,092	43,092
Depreciation Expense for the Year	(3,773)	(1,003)
Accumulated Depreciation	(19,490)	(15,717)
	<u>23,602</u>	<u>27,375</u>
Equipment		
At Cost	116,256	104,075
Depreciation Expense for the Year	(17,715)	4,103
Accumulated Depreciation	(78,519)	(60,805)
	<u>37,737</u>	<u>43,270</u>
Motor Vehicle		
At Cost	68,612	57,330
Depreciation Expense for the Year	(13,543)	(5,482)
Accumulated Depreciation	(27,374)	(13,830)
	<u>41,238</u>	<u>43,500</u>
IT System		
At Cost	1,427,202	1,070,608
Depreciation Expense for the Year	(320,402)	(250,215)
Accumulated Depreciation	(837,007)	(516,605)
	<u>590,195</u>	<u>554,003</u>
Net Book Value	<u>692,772</u>	<u>668,148</u>

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16. Contributions Receivable

	Total 2021 NZ\$	Total 2020 NZ\$
Contributions Receivable - Member		
Gross Contributions Receivable - Member	750,714	475,376
Provision for non-recovery of contributions - Member	-	-
Net Contributions Receivable - Member	<u>750,714</u>	<u>475,376</u>
Contributions Receivable - Employer		
Gross Contributions Receivable - Employer	537,144	411,803
Provision for non-recovery of contributions - Employer	-	-
Net Contributions Receivable - Employer	<u>537,144</u>	<u>411,803</u>

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 2021 is \$1,087,764 (2020: \$1,087,764).

19. Cook Islands Government Wage Subsidy

In March 2020 the CINSF office established a bank account for the purpose of distributing subsidies to Cook Islands' businesses, as part of the Cook Islands Government Economic Recovery Package, affected by the COVID-19 pandemic. Distribution of the subsidies are undertaken by the CINSF Office because it holds records of local businesses through the collection of superannuation contributions. The subsidies are entirely funded by the Cook Islands Government. There is no financial impact on the Fund's performance or position. During the year ended 31 December 2021 the Economic Recovery Package subsidy continued. The Cook Islands Ministry of Finance and Economic Management has not confirmed a termination date.

20. Contingent Liabilities

In 2014 an amendment to the Value Added Tax Act required that entities not registered for value added tax ("VAT") in the Cook Islands become liable for VAT on imported services. The VAT liability applies to professional and investment management fees from offshore service providers from 1 April 2014. The value of the Fund's VAT liability from 2015 - 2019 is estimated at \$325,000. The Board has been in discussions with the Ministry of Finance and Economic Management, as it is the Trustee's and the Board's view based on discussions to date, that the Fund was not intended to be caught by these amendments.

The Ministry of Finance and Economic Management has advised that as no legislation has passed to exempt the Fund from VAT, the liability remains. The CINSF Office is seeking independent legal advice on this matter, however at this point the Board have determined to disclose the VAT liability as a contingent liability.

21. Events after Balance Date

There have been no other material events after balance date that require adjustment to or disclosure in the financial statements.