



Cook Islands National Superannuation Fund

**Annual Report of the Trustee to the Members
for the year ended 31 December 2006**

Trustee Report

Introduction

The Trustee is pleased to present to Members of the Cook Islands National Superannuation Fund the Trustee Report for the year ended 31 December 2006.

The Trustee Report is produced to keep you informed of the Fund's financial results during the year and your investment in the Fund. Trustee Reports to Members will be issued annually.

Attached to the Trustee Report is your personal Status Report which lists the value of your benefits as at 31 December 2006.

How the Fund Works

The Fund is designed to provide Members with a means to save for their retirement. The Fund is intended to help give Members financial security in their retirement or, in the event of their death before retirement, security for their dependants.

Membership of the Fund will become compulsory for all people working in the Cook Islands or employed outside the Cook Islands by an employer resident in the Cook Islands, unless they qualify for a specific exemption. Members contribute a percentage of their salary to the Fund and their Employers also contribute. All contributions are allocated to Members Accounts. Each year Members Accounts are credited with interest reflecting the rate earned by the Fund during the year. Members should be aware that in financial years where there are investment losses, Members Accounts could be impacted negatively by the allocation of any investment losses.

The Fund also provides Members with life insurance cover. The main purpose of the Fund is to provide for retirement through long term savings. To encourage savings, Members are not able to withdraw monies from the Fund while they remain Members. In the year of this Report, Government has met the costs associated with Life Insurance cover and Administration Fees. However as the Membership and Funds grow and direct Government support is reduced, these costs will be borne by the members.

On retirement the Member becomes entitled to a benefit based on the amount held on their behalf in their Member Compulsory Account. (see Pension Rates below). Up to 25% of the retirement benefit can be taken as a lump sum and the rest as a pension. Members should refer to the Members Information Handbook for details of their entitlements upon retirement, death or disability.

Fund Activity

During the year under review, combined contributions from members and their employers were almost \$3 million. The net asset value of the Fund grew by \$3.7 million to reach \$12.2 million by the end of 2006.

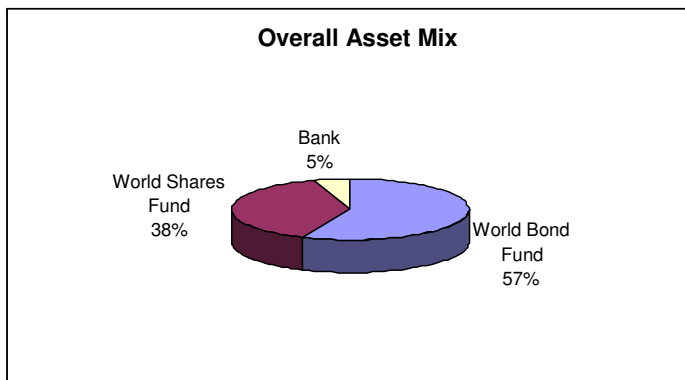
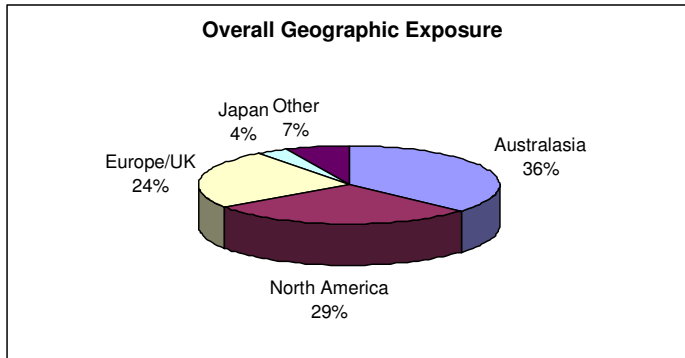
Also, 1,265 new members joined the Fund, bringing the total membership to 3,244 members at the end of 2006.

Investments

The Fund's money is invested in the Russell World Shares Fund and Russell World Bond Fund that are offered by ING New Zealand Limited.

During the year, the Trustee continued to invest new contributions on the basis of 65% to the World Bond Fund and 35% to the World Shares Fund. The overall mix of the Fund at any time is determined by the contribution allocation as well as the relative investment performance of each component.

The investment of the total Fund by geographic region and by asset class is shown in the charts below, and described in more detail by sub-Fund in the following paragraphs.



Russell World Shares Fund

Objective

The Russell World Shares Fund aims to provide long-term returns by investing in a highly diversified portfolio of International and New Zealand Shares and outperforming its combined benchmark. Investments are hedged to the New Zealand dollar to reduce volatility caused by fluctuations in overseas currencies.

Market Exposure

Australasia	21%
North America	40%
Europe / UK	29%
Japan	8%
Other	2%

Russell World Bond Fund

Objective

The Russell World Bond Fund aims to provide long-term returns by investing in a portfolio of International and New Zealand fixed income securities and outperforming its combined benchmark. Investments are hedged to the New Zealand dollar to reduce volatility caused by fluctuations in overseas currencies.

Market Exposure

New Zealand	41%
North America	24%
Europe / UK	26%
Other	9%

Investment Performance

For the year to 31 December 2006, the Fund produced an overall net investment return of 9.0% (2005: 9.7%) after allowing for investment management fees. For the year under review a 7.0% return has been credited to Member Accounts and the balance of the operating profit has been transferred to the Reserve Account. The comparative figure in 2005 was effectively 7.5% consisting of a year-end crediting rate of 6% followed by an additional 1.5% return credited to Members Accounts on 1 January 2006 for those Members in the Fund as at 31 December 2005.

The total Fund return is a combination of the change in market value plus the distributions, which are reinvested back into the Fund. While the distribution component was much lower in 2006 than 2005, this was offset by the larger growth in market value. It is the combination of the two components that determines the return.

Pension Rates

Actuarial Reviews of the Fund (most recently as at 31 December 2005) have recommended alteration to the pension rates as set out in the Trust Deed and disclosed in the original Members Handbook. At Normal Retirement Age 60 the recommended annual pension payable is \$72 per \$1,000 of Member Account balance, compared to the rate of \$80 specified in the Trust Deed. These recommendations have been accepted by the Trustee and the Board as being in the best interests of the Fund. A full list of the Pension rates at various retirement ages is available from the Chief Executive Officer. The pension rates are subject to annual review and have not changed during the year under review.

Fund Expenditure Policy

Members will note from the Member Information Handbook that the Cook Islands Government has contributed significantly to the initial and ongoing establishment and operational costs of the Fund. The Handbook also states that costs and expenses not met by the Government will need to be met by the Members.

The Government has advised the Board that, effective from 1 July 2007, a number of the more significant costs of the Fund such as administration fees and the insurance premium on the Group Life Insurance Policy will be required to be met by the Fund. These costs will be charged to either the Members Compulsory Accounts or the Reserve Account. The Trustee and the Board will provide further information on this policy as it is implemented.

Amendments to Trust Deed

No amendments have been made to the Trust Deed since inception of the Fund.

Trustee's Certificate

The Public Trust as Trustee of the Cook Islands National Superannuation Fund, hereby certifies, after having made due enquiry, to the best of our knowledge and belief, that:

- ♦ all contributions made to the Fund during the financial year were in accordance with the Trust Deed and were passed promptly to the Administration Manager
- ♦ all benefits required to be paid from the Fund in accordance with the Trust Deed were paid by the Administration Manager
- ♦ no monies are held or managed directly by the Trustee
- ♦ the market value of the Fund at the close of the financial year is sufficient to cover all accrued benefit entitlements that would have been payable had all Members of the Fund ceased to be Members at that date.

Philip Dyer
General Manager – Corporate Trustee Services
Public Trust

Account Summary

	2006 \$	2005 \$
Balance at the beginning of the year	8,534,427	5,753,534
Income		
Member Contributions	1,455,650	1,091,452
Member Contributions - Voluntary	72,507	60,983
Employer Contributions	1,456,780	1,097,920
Investment Income	998,459	731,448
Management Fee Rebate	79,712	53,632
Investment Management Fees	(181,158)	(124,553)
Insurance Proceeds	0	71,437
Total Income	3,881,950	2,982,319
Expenditure		
Bank Charges / Other	802	347
Member benefits paid	182,745	201,079
Total Expenditure	183,547	201,426
NET ASSETS AVAILABLE AS AT 31 DECEMBER	12,232,830	8,534,427

**A copy of the Fund's full financial accounts are available to Members
on request, at no charge**

MEMBERSHIP

	2003
As at 1 JANUARY 2006	
New Entrants	1,265
Transfers in	-
Retirements	(11)
Withdrawals	(11)
Deaths	(1)
Disablements	-
Ill Health	(1)
Transfers Out	-
As at 31 DECEMBER 2006	3,244