



# **Cook Islands National Superannuation Fund**

**Annual Report of the Trustee to the Members  
for the year ended 31 December 2007**

## **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 2007.

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 2007.

## 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 is compulsory for all people working in the Cook Islands or employed outside the Cook Islands by an employer resident in the Cook Islands, unless the employer qualifies for a specific exemption. Members contribute a percentage of their salary to the Fund and their Employer also contributes. All contributions are allocated to Members and Employer Accounts (collectively known as Compulsory Accounts). Each year Compulsory 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, Compulsory Accounts could be impacted negatively by the allocation of any investment losses.

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. The Fund also provides Members with Life Insurance cover. In the year just ended, and as indicated in last years report, the costs associated with Life Insurance cover and a portion of Administration Fees have for the first time been borne by the Fund. From 1 January 2008 Members will meet the cost of their Life Insurance cover and part of the Administration Fees consisting of \$3 per month per member.

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

## Fund Activity

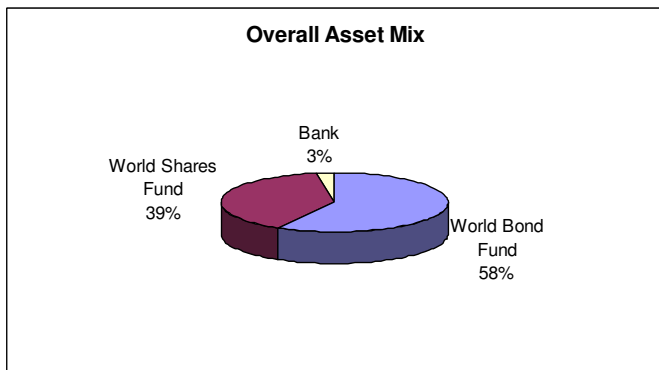
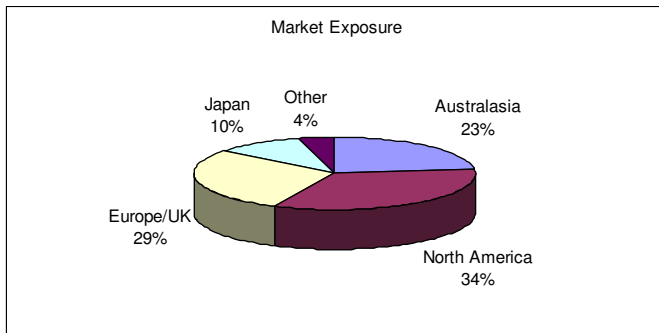
During the year under review, combined contributions from members and their employers were almost \$4.9 million. Benefit payments exceeded \$400,000. The net asset value of the Fund grew by \$4.9 million to reach \$17.2 million by the end of 2007. Also, 1,014 new members joined the Fund, bringing the total membership to 4,213 at the end of 2007.

## Investments

The Fund's money is invested in the Russell World Equity Strategies Fund (formerly known as the Russell World Shares Fund) and Russell World Bond Fund 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 Equity Strategies 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 Equity Strategies Fund (formerly known as the Russell World Shares Fund)

### Objective

The Russell World Equity Strategies Fund aims to provide long-term returns by investing in a highly diversified portfolio of International Shares, New Zealand Shares and Global Property Trusts. It has achieved its combined benchmark return objective over the last year and over the last 5 years. Investments are hedged to the New Zealand dollar to reduce volatility caused by fluctuations in overseas currencies.

### Market Exposure

Australasia	21%
North America	37%
Europe / UK	29%
Japan	7%
Other	6%

## 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. It did not achieve its combined benchmark return in the last year, as a result of turmoil in the credit markets. However, over the longer term (5 years) its return has virtually equalled the benchmark return objective. Investments are hedged to the New Zealand dollar to reduce volatility caused by fluctuations in overseas currencies.

### Market Exposure

Australasia	22%
North America	33%
Europe / UK	30%
Japan	13%
Other	2%

## Investment Performance

For the year to 31 December 2007, the Fund produced an overall net investment return of 3.3% (2006: 9.0%) after allowing for investment management fees. For the year under review a 5.0% return has been credited to Member Accounts, with the difference of 1.7% being transferred from the Reserve Account.

The total Fund return is a combination of the change in market value plus any distributions, which are reinvested back into the Fund. Members will be aware of the high volatility in international financial markets during 2007 and this volatility has been reflected in the returns generated from the two Russell Funds.

## Pension Rates

Actuarial Reviews of the Fund (most recently as at 31 December 2007) 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.

As indicated in last years Report, the Government 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. During 2007, a portion of these costs have been charged to either the Members Compulsory Accounts or the Reserve Account. The Office of the Fund will be pleased to provide you with further information on this policy.

## 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.

Dennis Church  
General Manager – Corporate Trustee Services  
Public Trust

## Directory

### BOARD

- Financial Secretary      Sholan Ivaiti  
(cifinsec@mfem.gov.ck)
- Cook Islands Workers Assn      Miriama Pierre  
(ciwa@oyster.net.ck)
- Non-Chamber Employers      Angeline Tuara  
(datuara@oyster.net.ck)
- Chamber of Commerce      John Kenning - **Chairman**  
(johnk@oyster.net.ck)
  
- Members Representative      Vacant

### ENQUIRIES OR CORRESPONDENCE

Chief Executive Officer  
CINSF Office  
P O Box 3076  
Maire Nui Drive  
Punanga Nui  
Avarua  
Rarotonga  
Cook Islands  
Phone (682) 25515  
Facsimile (682) 26615

### CHIEF EXECUTIVE OFFICER

Anne Herman  
(appointed 5 February 2008)  
(anne.herman@superfund.gov.ck)

### TRUSTEE

Public Trust  
P O Box 5067  
Wellington  
(Website [www.trustee.co.nz](http://www.trustee.co.nz))

### ADMINISTRATION MANAGER

TOWER Managed Funds Limited  
C/- Jacques Martin New Zealand Limited  
P O Box 606  
Wellington

### INVESTMENT MANAGER

Frank Russell Company (N.Z.) Limited  
P O Box 105-191  
Auckland Central  
(Website [www.russell.com/nz](http://www.russell.com/nz))

### INSURER

AXA New Zealand  
(Website [www.axa.co.nz](http://www.axa.co.nz))

### AUDITOR

Deloitte  
P O Box 1990  
Wellington

## Account Summary

	2007 \$	2006 \$
Balance at the beginning of the year	12,232,830	8,534,427
<b>Income</b>		
Member Contributions	2,431,444	1,455,650
Member Contributions - Voluntary	105,881	72,507
Employer Contributions	2,355,220	1,456,780
Investment Income	674,084	998,459
Management Fee Rebate	112,391	79,712
Investment Management Fees	(255,125)	(181,158)
Insurance Proceeds	67,535	0
<b>Total Income</b>	<b>5,491,430</b>	<b>3,881,950</b>
<b>Expenditure</b>		
Bank Charges	311	802
Member benefits paid	421,449	182,745
Group Insurance	53,793	0
Consultancy Fees	169	0
Administration Fees	71,289	0
<b>Total Expenditure</b>	<b>547,011</b>	<b>183,547</b>
<b>NET ASSETS AVAILABLE AS AT 31 DECEMBER</b>	<b>17,177,249</b>	<b>12,232,830</b>

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

## MEMBERSHIP

<b>As at 1 JANUARY 2007</b>	<b>3,244</b>
New Entrants	1,014
Transfers in	-
Retirements	(22)
Withdrawals	(12)
Deaths	(10)
Disablements	-
Ill Health	(1)
Transfers Out	-
<b>As at 31 DECEMBER 2007</b>	<b>4,213</b>