



Cook Islands National Superannuation Fund

**Annual Report of the Trustee to the Members
for the year ended 31 December 2008**

Trustee Report

Message from the Trustee

The Trustee is pleased to present to Members of the Cook Islands National Superannuation Fund the Trustee Report for the year ended 31 December 2008.

We do apologise for the lateness of this report, this was brought about due to a fire in the Administration Centre of the Fund destroying important files that were held on behalf of the Fund.

Since that time we, along with the CINSF Board have been reconstructing the lost information in order to provide you with an accurate picture of both the Fund and your personal account.

The year was a tough year for investment markets and while the Fund is reasonably conservative in its investment mix, it was not immune to their drop and has posted a fall of 14.1%. This does compare well to an overall fall in world sharemarkets of some 42% over the same period. The good news however, is that since the beginning of 2009 there has been a marked recovery in world investment markets and the Fund has recovered 14% to the end of August 2009.

We do expect continued volatility, or ups and downs in the investment markets as economies around the world readjust themselves to a new set of circumstances. As trustee we are monitoring your investments and the performance of the investment manager and will continue to look at other ways to smooth the returns you get, without unduly compromising the upside you could get from a rising market.

Attached to the Trustee Report is your personal Status Report which lists the value of your benefits as at 31 December 2008.

Fund Activity

During the year under review, combined contributions from members and their employers were almost \$5.4 million. Benefit payments exceeded \$300,000. The net asset value of the Fund grew by \$2.44 million to reach \$20.40 million by the end of 2008. Also, 449 new members joined the Fund, bringing the total membership to 4,601 at the end of 2008.

Investments

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

Investment Performance

For the year to 31 December 2008, the Fund produced an overall net investment loss of -14.1% (2007: +3.3%) after allowing for expenses. The investment loss has been deducted in full from Members Compulsory Accounts.

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 2008 and this volatility has been reflected in the negative return generated from the Russell World Equity Strategies Fund.

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. The Fund underperformed the benchmark due to the extraordinary volatility in world financial markets during the year. Investments in the Fund are hedged to the New Zealand dollar to reduce volatility caused by fluctuations in overseas currencies.

Market Exposure

Australasia	22%
North America	39%
Europe / UK	25%
Japan	10%
Other	4%

Russell World Bond Fund

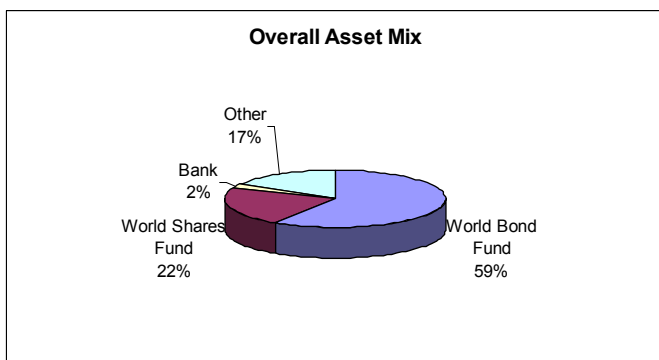
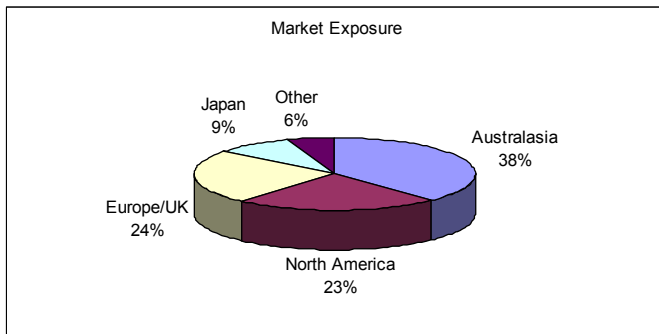
Objective

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 due to significant underperformance in the International segment, despite the NZ Bond market enjoying positive returns during the last quarter of 2008. Investments are hedged to the New Zealand dollar to reduce volatility caused by fluctuations in overseas currencies.

Market Exposure

Australasia	24%
North America	25%
Europe / UK	32%
Japan	11%
Other	8%

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.



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, 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.

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. As a member you contribute a percentage of your salary to the Fund and your Employer also contributes. All contributions are allocated to Member and Employer Accounts (collectively known as Compulsory Accounts) held in your name. Each year Compulsory Accounts are credited or deducted earnings reflecting the rate earned by the Fund during the year. Please note that in financial years where there are investment losses, Compulsory Accounts will be impacted negatively by the deduction of investment losses.

The main purpose of the Fund is to provide for retirement through long term savings. To encourage savings, you are not able to withdraw money from the Fund while a Member. The Fund also provides you with Life Insurance cover. In the year ended, and as indicated in previous years report, the costs associated with Life Insurance cover and a portion of Administration Fees have been borne by the Fund.

On retirement you become entitled to a benefit based on the amount held in your 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 pension payment. Please refer to the Members Information Handbook for details of their entitlements upon retirement, death or disability.

Fund Expenditure Policy

You 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 previous 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 2008, 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:

- ♦ Other than contribution payment affected by the fire in the Administrative Centre of the Fund, 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 | Anthony Turua
(anthony@education.gov.ck) |
| - Non-Chamber Employers | Angeline Tuara
(datuara@oyster.net.ck) |
| - Chamber of Commerce | John Kenning - Chairman
(johnk@oyster.net.ck) |
| - Members Representative | Anna Koteka
(kotekas@oyster.net.ck) |

CHIEF EXECUTIVE OFFICER

Anne Herman
(anne.herman@superfund.gov.ck)

TRUSTEE

Public Trust
P O Box 5067
Wellington
(Website www.trustee.co.nz)

ADMINISTRATION MANAGER

Tower Employee Benefits 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)

INSURER

AXA New Zealand
PO Box 1692
Wellington.
(Website www.axa.co.nz)

AUDITOR

Deloitte
P O Box 1990
Wellington

ENQUIRIES OR CORRESPONDENCE

Chief Executive Officer
CINSF Office
P O Box 3076
Nikao
Rarotonga
Cook Islands
Phone (682) 25515
Facsimile (682) 26615

Account Summary

	2008 \$	2007 \$
Balance at the beginning of the year	17,961,111	12,760,122
Income		
Member Contributions	2,672,390	2,562,125
Member Contributions - Voluntary	88,284	101,091
Employer Contributions	2,672,390	2,485,900
Change in Net Market Value of Investments	(2,465,001)	99,085
Investment Distributions	285,674	574,999
Management Fee Rebate	151,253	112,390
Investment Management Fees	(307,757)	(255,125)
Total Income	3,097,233	5,680,465
Expenditure		
Bank Charges	123	311
Member benefits paid	337,673	421,449
Net Group Insurance Costs	121,344	(13,742)
Consultancy Fees	169	169
Administration Fees	192,823	71,289
Total Expenditure	652,132	479,476
NET ASSETS AVAILABLE AS AT 31 DECEMBER	20,406,212	17,961,111

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

MEMBERSHIP

As at 1 JANUARY 2008	4,213
New Entrants	449
Transfers in	-
Retirements	(23)
Withdrawals	(34)
Deaths	(4)
Disablements	-
Ill Health	-
Transfers Out	-
As at 31 DECEMBER 2008	4,601