



Cook Islands National Superannuation Fund

**Annual Report of the Trustee to the Members
for the year ended 31 December 2009**

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 2009. The Trustee report is produced to keep you informed of the Fund's financial results during the year and your investment in the Fund.

If you were a Member of the Fund prior to the current financial year you will recall the negative return the Fund recorded for the 2008 year. The Trustee is pleased to report a crediting earnings rate of 18.1% for the year ended 31 December 2009.

Attached to the Trustee Report is your personal Status Report which lists the value of your benefits as at 31 December 2009.

Changes to the Fund

Over the preceding 12 months the Trustee has been reviewing a number of components of the Fund. It is important that the Fund is well managed and that costs are also reviewed.

During the next few months both the Administration Manager and Insurer of the Fund will change, bringing about a better level of service at a lower cost.

- **Administration Manager**

After an extensive search in New Zealand and the Cook Islands, AON Consulting in New Zealand have been appointed as the new Administration Manager. AON have provided administration services since 1979 and are now one of New Zealand's leading administration management specialists. It is expected that they will have assumed the responsibility for the service by the end of July 2010.

Not only do we expect a speedier and more reliable service, but also costs are around 20% less than the current provider and a new web based service will be introduced so that you may view your account balances online.

- **Insurer**

From 1 June 2010 AIA New Zealand will take over the insurance policy for the Fund. Overall, insurance rates will decrease under the new policy, although the actual rate for any one member is dependant on age and gender.

Fund Activity

During the year under review, combined contributions from members and their employers were almost \$7.2 million. Benefit payments were \$649,000. The net asset value of the Fund grew by \$10.3 million to reach \$31.5 million by the end of 2009. Also, 1,189 new members joined the Fund, bringing the total membership to 5,631 at the end of 2009.

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.

In addition, the Fund earns interest on any monies held in the Fund's Cook Islands based operating account before they are invested in the Russell Funds.

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 asset mix of the Fund at any time is determined by the contribution allocation as well as the relative investment performance of each component. For more detailed information on these Funds and the composition of their benchmarks, visit the Russell Funds website listed in the Directory.

Investment Performance

For the year to 31 December 2009, the Fund (including monies in the Cook Islands based operating account) produced an overall net investment gain of 18.1% on invested assets (2008: -14.1%) after allowing for expenses. The net investment gain of some \$3.8 million has been allocated in full to 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 global financial crisis which was reflected in the Fund's investment losses in 2008. In 2009 we have seen investment gains as international financial markets have recovered. Members should be aware that international markets remain extremely volatile and future returns, whether positive or negative, cannot be predicted. Please note that during 2008 and 2009 the Trustee has made no change to the Fund's investment strategy.

Russell World Equity Strategies 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 World Equity Strategies Fund returned 29.87% for the year ended 31 December 2009, outperforming the one year benchmark return of 25.45% due to strong stock selection and the recovery of equity markets during the year. Offshore investments in the Fund are hedged back to the New Zealand dollar to reduce volatility caused by fluctuations in overseas currencies.

Market Exposure as at 31 December 2009

Australasia	22%
North America	39%
Europe / UK	25%
Japan	6%
Other	8%

Russell World Bond Fund

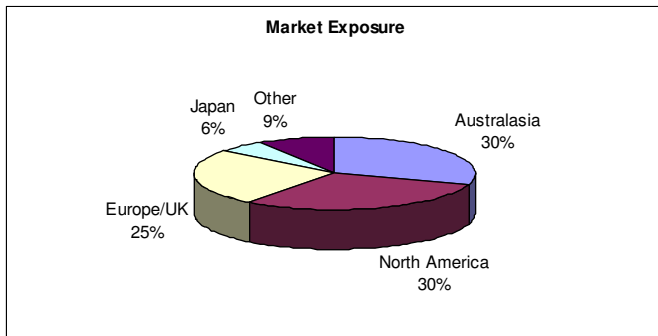
Objective

The Russell World Bond Fund aims to provide long-term returns by investing in a portfolio of International and New Zealand fixed income securities. The World Bond Fund returned 14.35% for the year ended 31 December 2009, significantly outperforming the one year benchmark return of 6.35% due to the Fund manager increasing investment in corporate debt to achieve higher returns during the year. The Bond Fund remains predominantly invested in government issued securities, bank bills and cash. Some of the foreign currency exposure is hedged back to the New Zealand dollar to reduce volatility caused by fluctuations in overseas currencies.

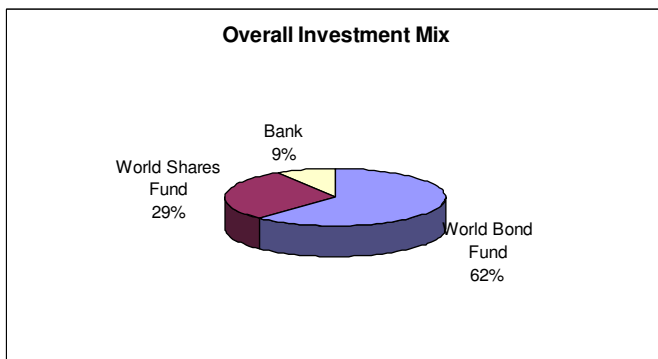
Market Exposure as at 31 December 2009

Australasia	24%
North America	31%
Europe / UK	29%
Japan	6%
Other	10%

The investment of the total Fund by geographic region and by asset class is shown in the following charts.



(The above allocation includes the Cook Islands based operating bank account within the Australasia sector)



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 since the last actuarial review.

A review of pension rates is due as part of the next actuarial review and will be reported on in the 2010 Trustee Report.

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 adjusted for 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 remaining a contributing Member. The Fund also provides you with Life Insurance cover.

On retirement you become entitled to a benefit based on the amount held in your Compulsory Account (see Pension Rates above). 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 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 any costs and expenses not met by the Government will need to be met by the Members.

As indicated in previous years Reports, 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 2009, the full costs of the insurance premiums have been charged to the Members Compulsory Accounts and the administration fees are met by the Fund. The Office of the Fund will be pleased to provide you with further information on this policy.

Financial Statement Presentation

Following a review of the accounting structure of the Fund undertaken by the Board and the Trustee, the Fund's financial statements now recognise the Cook Islands Government's budget allocation to, and the operational costs of, the Cook Islands National Superannuation Fund Office in Rarotonga. These equal amounts have been offset against each other in the audited financial statements of the Fund.

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 delays caused by the 2008 fire in the Administrative Centre of the Fund and the consequent employer contribution reconciliation issues, 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

- Acting Financial Secretary Kevin Carr
(cifinsec@mfem.gov.ck)
- Cook Islands Workers Assn Anthony Turua
(anthony@education.gov.ck)
- Non-Chamber Employers **Vacant**
- 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

*Subsequent to year end, the Trustee will be entering into new Administration Insurance Agreements with new providers. AON New Zealand will be the new Administration Services. AIA New Zealand will be the new Insurer.

AON New Zealand
PO Box 1184
AUCKLAND 1010
(Website www.aon.co.nz)

AIA New Zealand
(Website www.aia.co.nz)

Account Summary

	2009 \$	2008 \$
Balance at the beginning of the year	21,234,548	17,714,997
Income		
Member Contributions	3,503,360	3,208,263
Member Contributions - Voluntary	99,046	90,988
Employer Contributions	3,577,637	3,208,263
Change in Net Market Value of Investments	4,315,807	(2,179,327)
Group Insurance	154,992	19,199
Total Income	11,650,842	4,347,386
Expenditure		
Investment Management Fees	223,313	156,504
Bank Charges	139	123
Member benefits paid	649,160	337,673
Group Insurance Costs	221,257	140,543
Consultancy Fees	27,260	169
Administration Fees	266,199	192,823
Stationery Fees	2,243	0
Total Expenditure	1,389,571	827,835
NET ASSETS AVAILABLE AS AT 31 DECEMBER	31,495,819	21,234,548

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

MEMBERSHIP

As at 1 JANUARY 2009	4,601
New Entrants	1,189
Transfers in	-
Retirements	(25)
Withdrawals	(124)
Deaths	(10)
Disablements	-
Ill Health	-
Transfers Out	-
As at 31 DECEMBER 2009	5,631