



Cook Islands National Superannuation Fund

**Annual Report of the Trustee to the Members
for the year ended 31 December 2010**

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 2010.

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 individual member statement which lists the value of your benefits as at 31 December 2010.

Fund Activity

During the year under review, combined contributions from members and their employers were in excess of \$7.7 million. Benefit payments exceeded \$900,000.

The net asset value of the Fund grew by \$9.5 million to reach \$41 million by the end of 2010. Also, 734 new members joined the Fund, bringing the total membership to 6,191 at the end of 2010.

Investments

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

There were no changes to the investment strategy 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 is not fully aligned with this mix due to the different performance of the two underlying funds over time and a component of cash being held (at any given time) as contribution payments are reconciled.

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

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. Currency hedging is used to hedge benchmark currency exposures for international shares and global property back to New Zealand dollars. During the year ended 31 December 2010 the gross return of the Fund was 12.33%.

Market Exposure

Australasia	23%
North America	41%
Europe / UK	23%
Japan	6%
Other	7%

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. Currency hedging is used to hedge some of the foreign currency exposure back to New Zealand dollars. During the year ended 31 December 2010 the gross return of the Fund was 10.92%.

Market Exposure

Australasia	22%
North America	28%
Europe / UK	31%
Japan	3%
Other	16%

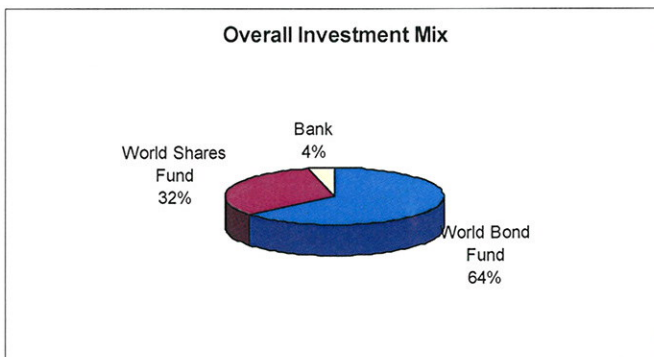
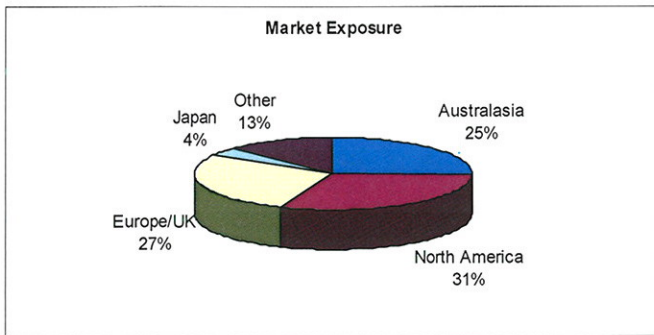
Investment Performance

For the year to 31 December 2010, the Fund produced an overall net investment gain of 9.03% (2009: 18.1%) after allowing for investment management fees. For the year under review the investment gain has been allocated in full against 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 which was reflected in the Fund's investment losses during that year.

While there is still a high level of investment volatility or changes in prices of the underlying assets the relatively conservative nature of the investment has helped absorb some of these movements. It is pleasing to see the positive nature of the investment markets, but it is still expected that volatility of the markets seen since 2008 is set to continue.

As part of the ongoing and long term nature of the Fund the Trustee is in the middle of an investment review being conducted by the Fund's actuary Melville Jessup Weaver. It is too early in this review to say whether any changes will be made to the Fund's investments; however an early report makes the comments 'The current strategy is fairly efficient under our assumptions.'



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 with interest reflecting the rate earned by the Fund during the year. Please note 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, you are not able to withdraw monies from the Fund while remaining a contributing member. The Fund also provides you with Life Insurance cover. In the 2010 year, and as indicated in previous Annual Reports, the full costs associated with Administration Fees have been borne by the Fund while Life Insurance Cover is borne by the members.

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

Pension Rates

An actuarial review of the Fund is being conducted for the year ended 31 December 2010. As part of their review they look at the funding of the Pension Reserve and the Pension Rates used for calculating pensions on retirement. The Trustee and the Board are reviewing these and will report back to members in due course.

A full list of the current Pension rates at various retirement ages is available from the Chief Executive Officer. Pension rates are subject to annual review.

Fund Expenditure Policy

As indicated in previous years Reports, the Government advised the Board that 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 with other costs paid by the Government. In the year 2010, Government reduced their contribution to fund expenses by 20%. All expenses and the Government funding are shown in the financial statements.

New Administration Manager and Insurer

As was noted last year the Trustee entered into a new administration agreement with AON New Zealand and an insurance agreement with AIA New Zealand.

Both these changes have positive financial impacts for members with cheaper administrative and insurance services.

In relation to the administration management:

- ◆ pensioners in the Cook Islands are now paid from a Cook Islands bank account saving \$20 per pension payment
- ◆ members can look forward to being able to view their account information online by the end of the year
- ◆ the Cook Island administration team will also have better access to data enabling faster turn around of member questions

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
- ♦ 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 | Richard Neves
(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) |
| - Contributors Representative | Anna Koteka
(kotekas@oyster.net.ck) |

CHIEF EXECUTIVE OFFICER

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

TRUSTEE

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

ADMINISTRATION MANAGER

Aon New Zealand
AMP Centre
29 Customs Street West
P O Box 1184
Auckland 1010
(Website www.aon.co.nz)

INVESTMENT MANAGER

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

INSURER

AIA New Zealand
Private Bag 300981
Albany
North Shore City 0752.
(Website www.aia.co.nz)

AUDITOR

Deloitte
P O Box 1990
Wellington

ENQUIRIES OR CORRESPONDENCE

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

Financial Information

	2010 \$	2009 \$
Balance at the beginning of the year	31,495,819	21,234,548
Income		
Member Contributions	3,792,056	3,503,360
Member Contributions - Voluntary	101,667	99,046
Employer Contributions	3,816,204	3,577,637
Change in Net Market Value of Investments	3,611,579	4,315,807
Investment Management Fees	(302,016)	(223,313)
Group Insurance proceeds	69,223	154,992
Total Income	11,088,713	11,427,529
Expenditure		
Bank Charges	468	139
Member Benefits paid	965,492	649,160
Group Insurance Costs	193,193	221,257
Audit Fees	40,581	27,260
Administration / Consulting Fees	323,463	266,199
General Expenses	6,852	2,243
Net Government Funding Expenses	37,470	0
Income Tax	345	0
Total Expenditure	1,567,864	1,166,258
NET ASSETS AVAILABLE AS AT 31 DECEMBER	41,016,668	31,495,819

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

MEMBERSHIP

As at 1 JANUARY 2010	5,578
New Entrants	734
Transfers in	-
Retirements	(60)
Withdrawals	(52)
Deaths	(6)
Disabilities	(3)
Ill Health	-
Transfers Out	-
As at 31 DECEMBER 2010	6,191