



# COOK ISLANDS

National Superannuation Fund

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ANNUAL REPORT OF THE TRUSTEE TO THE MEMBERS

for the year ended 31 December 2011

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 2011. 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 2011.

## FUND ACTIVITY

During the year under review, combined contributions from members and their employers were in excess of \$9.1 million. Benefit payments exceeded \$1.0 million. The net asset value of the Fund grew by \$9.1 million to reach \$50 million by the end of 2011. Also, 600 new members joined the Fund, bringing the total membership to 6,657 (including 43 Pensioners) at the end of 2011.

## 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 2011 the gross return of the Fund was -7.53%.

Market Exposure	
Australasia	23%
North America	44%
Europe / UK	20%
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 2011 the gross return of the Fund was 7.75%.

Market Exposure	
Australasia	23%
North America	26%
Europe / UK	15%
Japan	6%
Other	30%

## INVESTMENT PERFORMANCE

For the year to 31 December 2011, the Fund produced an overall net investment gain of 2.60% (2010: 9.03%) 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 2011 which was reflected in the Fund's investment losses during that year.

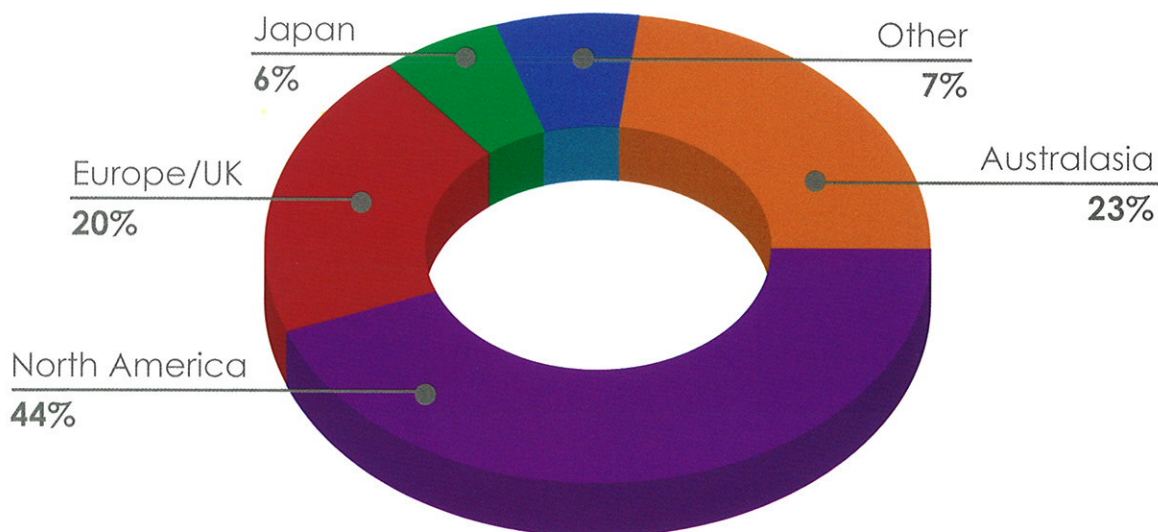
While there is still a high level of investment volatility or changes in prices of the underlying assets the relatively conservative nature of the investment has helped absorb some of these movements. It is pleasing to see the positive nature of the investment markets, but it is still expected that volatility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

As part of the ongoing and long term nature of the Fund the Trustee will undertake an investment review in conjunction with the Administration and Investment Managers.





## MARKET EXPOSURE



## HOW THE FUND WORKS

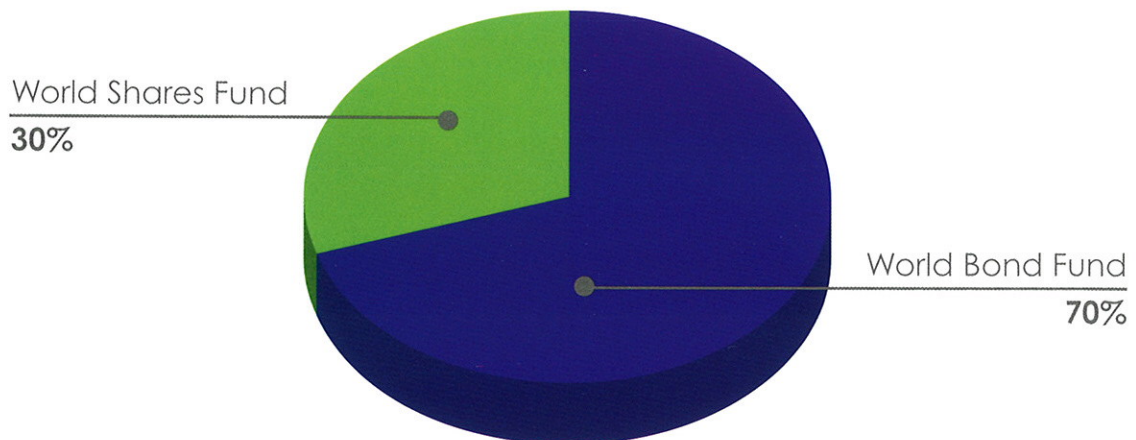
The Fund is designed to provide Members with a means to save for their retirement. The Fund is intended to help give Members financial security in their retirement or, in the event of their death before retirement, security for their dependants.

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 2011 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.

## OVERALL INVESTMENT MIX



## PENSION RATES

An actuarial review of the Fund was 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 still considering 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.

## INTERNET ACCOUNT ACCESS

In last years Trustee Annual Report we mentioned that members will soon be able to get internet access to their personal details and member account.

We are pleased to be able to tell you that this new service is now available and details of how to access your account is attached to this report.

## FUND EXPENDITURE POLICY

At present various Fund expenses are funded directly by the Cook Islands Government through a budget appropriation. These include items such as legal advice, audit fees, actuarial advice and the direct expenses incurred in the running of the Cook Islands Office. These expenses were historically fully funded by the Cook Islands Government, however from 1st July 2010, they will be financed partially only. All expenses and the Government funding are shown in the Financial Statements.

## 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 during the financial year ended 31 December 2011:

- 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; and
- the market value of the Fund as 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



## FINANCIAL INFORMATION

	2011 \$	2010 \$
Balance at the beginning of the year	41,016,668	31,495,819
<b>Income</b>		
Member Contributions	4,543,504	3,792,056
Member Contributions - Voluntary	60,521	101,667
Employer Contributions	4,543,504	3,816,204
Change in Net Market Value of Investments	1,833,676	3,611,579
Investment Management Fees	(389,673)	(302,016)
Group Insurance proceeds	90,544	69,223
<b>Total Income</b>	<b>10,682,076</b>	<b>11,088,713</b>
<b>Expenditure</b>		
Member Benefits paid	(1,001,824)	(965,492)
Group Insurance Costs	(181,701)	(193,193)
Audit Fees	(27,724)	(40,581)
Administration / Consulting Fees	(276,296)	(303,869)
General Expenses	(42,202)	(26,914)
Net Government Funding Expenses	(9,387)	(37,470)
Income Tax	(316)	(345)
<b>Total Expenditure</b>	<b>(1,539,450)</b>	<b>(1,567,864)</b>
<b>NET ASSETS AVAILABLE FOR BENEFITS AS AT 31 DECEMBER</b>	<b>50,159,294</b>	<b>41,016,668</b>

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

<b>MEMBERS</b>	
<b>As at 1 JANUARY 2011</b>	<b>6162</b>
New Members	600
Retirements	(57)
Deaths	(10)
Expatriate Withdrawal	(42)
Disablements	(7)
Withdrawn Membership*	(32)
<b>Members at 31 DECEMBER 2011</b>	<b>6,614</b>

\* Withdrawn Membership refers to duplicate names that have been removed

<b>PENSIONERS</b>	
<b>As at 1 JANUARY 2011</b>	<b>29</b>
New Pensioners	14
<b>Pensioners at 31 DECEMBER 2011</b>	<b>43</b>



## 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](http://www.trustee.co.nz))

### ADMINISTRATION MANAGER

Aon New Zealand  
P O Box 3167  
Shortland Street  
Auckland 1140  
(website [www.aon.co.nz](http://www.aon.co.nz))

### 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

AIA New Zealand  
Private Bag 300981  
Albany  
North Shore City 0752.  
(website [www.aia.co.nz](http://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



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NATIONAL SUPERANNUATION FUND