



COOK ISLANDS

National Superannuation Fund

ANNUAL REPORT OF THE TRUSTEE TO THE MEMBERS

for the year ended 31 December 2012

TRUSTEE REPORT

MESSAGE FROM THE TRUSTEE

The Trustee is pleased to present to the Members of the Cook Islands National Superannuation Fund (the 'Fund') the Trustee Report for the year ended 31 December 2012. The Trustee Report is produced to keep you informed of the Fund's financial results during the year and your investment in the Fund. The Trustee Report to Members is annually.

Attached to the Trustee Report is your individual member statement which lists the value of your benefits as at 31 December 2012.

FUND ACTIVITY

During the year under review, combined contributions from members and their employers were in excess of \$9.2 million. Benefit payments exceeded \$1.0 million. The net asset value of the Fund grew by \$14.6 million to reach \$64.3 million by the end of 2012. Also, 578 new members joined the Fund, bringing the total membership to 7,083 (including 58 Pensioners) at the end of 2012.

INVESTMENTS

The Fund's money was invested in the Russell World Equity Strategies Fund and the Russell World Bond Fund managed by Russell Investment Group 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.

However, as a result of the wind up of the Russell Funds in March 2013 in which the Trustee had invested, the Trustee identified four alternative Russell Funds into which the proceeds of the wind up have been invested. The investment strategy remains unchanged at 35% (Growth Assets) and 65% (Income Assets). See table at top right.

CHANGES TO INVESTMENT FUNDS FROM 1 APRIL 2013

Fund Name	Sector	Domiciled
Russell Global Bond Fund Class B	Income Assets	Aus
Russell Global Opportunities Fund (\$NZ Hedged Class B)	Growth Assets	Aus
Russell Investments Australasian Share Fund	Growth Assets	NZ
Russell Investments NZ Fixed Interest Fund	Income Assets	NZ

The investment of the total Fund by geographic by geographic region and by asset class as at 31 December 2012 is shown in the charts on page 4&5, and described in more detail by sub-Fund in the following paragraphs.



RUSSELL WORLD EQUITY STRATEGIES FUND

Objective

The Russell World Equity Strategies Fund aimed to provide long-term returns by investing in a highly diversified portfolio of International Shares, New Zealand Shares and Global Property Trusts. Currency hedging was used to hedge benchmark currency exposures for international shares and global property back to New Zealand dollars. During the year ended 31 December 2012 the gross return of the Fund was 19.87%.

Market Exposure	
Australasia	25%
North America	41%
Europe / UK	24%
Japan	4%
Other	6%

RUSSELL WORLD BOND FUND

Objective

The Russell World Bond Fund aimed to provide long-term returns by investing in a portfolio of International and New Zealand fixed income securities. Currency hedging was used to hedge some of the foreign currency exposure back to New Zealand dollars. During the year ended 31 December 2012 the gross return of the Fund was 12.75%.

Market Exposure	
Australasia	23%
North America	31%
Europe / UK	25%
Japan	7%
Other	14%

INVESTMENT PERFORMANCE

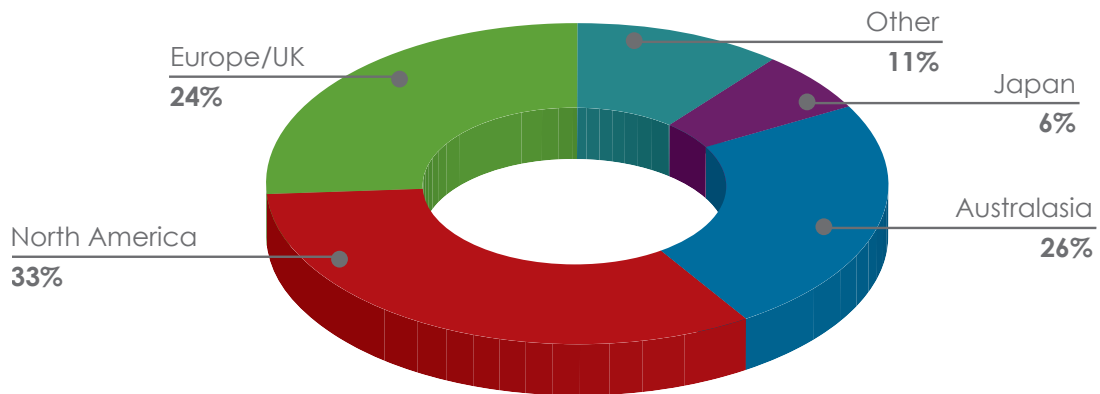
For the year to 31 December 2012, the Fund produced an overall net investment gain of 14.13% (2011: 2.60%) after allowing for investment management fees. For the year under review the investment gain has been allocated in full to Members Compulsory Accounts.

The total Fund return is a combination of the change in market value plus any distributions, which are reinvested back into the Fund. During 2012, Members benefited from consistent positive returns across both Russell Funds which was in contrast to the volatility in international markets during 2011.

While the potential remains for high levels of investment volatility, it was pleasing to see the positive nature of the returns generated from the Russell Funds during the year, which has been reflected by the investment gains allocated in full to Members. However, while uncertainty still remains in investment markets the relatively conservative nature of the Fund's investments would help absorb negative investment returns to some extent.

As part of the ongoing and long term nature of the Fund, the Trustee will continue to undertake investment reviews in conjunction with the Administration and Investment Managers and Tax Advisor.

MARKET EXPOSURE



HOW THE FUND WORKS

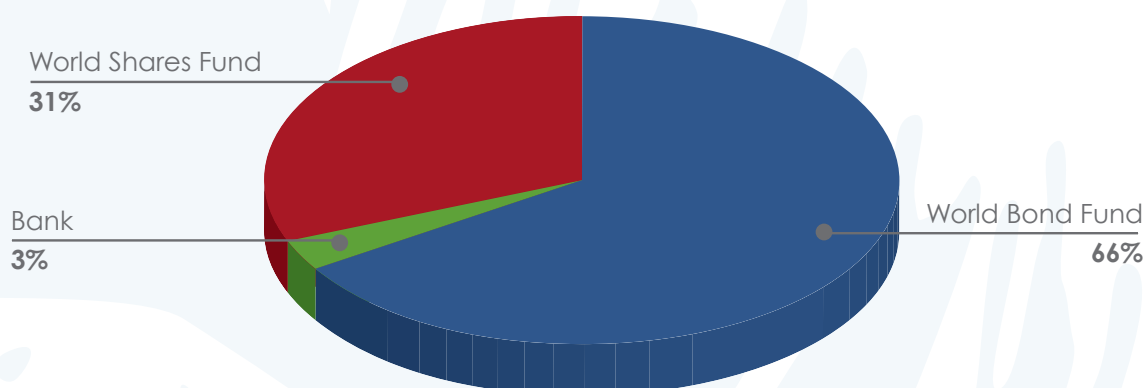
The Fund is designed to provide Members with a means to save for their retirement. The Fund is intended to help give Members financial security in their retirement or, in the event of their death before retirement, security for their dependants.

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 2012 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 pension benefit based on the amount held on your behalf in your Compulsory Account, subject to the balance of the Compulsory Account meeting a minimum value (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, the findings of which were not implemented. The next actuarial review is due at the end of 2013 and the Trustee and the Board will make arrangement for the review.

The current 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

At present the majority of the Cook Islands Office expenses are funded directly by the Cook Islands Government through a budget appropriation. These expenses include items such as legal fees, salaries, direct expenses of the Cook Islands Board, as well as various administrative expenses incurred in the running of the Cook Islands Office. The level of Government funding is under review and any changes to future funding levels will be determined by the Cook Islands Government. The Cook Islands Office expenses and Government funding are shown in the full financial statements.

INTERNET ACCOUNT ACCESS

We are pleased to advise that internet access for members has been successfully implemented and details on how to access your account can be found on the Fund's website (see directory- back-page) via the ebenefits tab.

AMENDMENTS TO TRUST DEED

No amendments have been made to the Trust Deed since inception of the Fund.

TRUSTEE'S CERTIFICATE

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 2012:

- 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

Summary Statement of Changes in Net Assets	2012 NZ \$	2011 NZ \$ Restated
Net Investment Gain	6,940,520	1,444,003
Plus: Other Income	468,616	442,252
Less: Other Expenses	(923,350)	(889,018)
Surplus Before Taxation and Membership Activities	6,485,786	997,237
Income Tax Expense	(431)	(316)
Surplus After Taxation and Before Membership Activities	6,485,355	996,921
Membership Activities		
Member Contributions	4,100,678	3,688,230
Member Voluntary Contributions	62,250	60,522
Contributions Yet To Be Allocated	969,077	1,147,101
Employer Contributions	4,100,678	3,688,230
Total Contributions	9,232,683	8,584,083
Less: Benefits Paid	(1,063,700)	(1,001,824)
Net Membership Activities	8,168,983	7,582,259
Increase In Net Assets During The Year	14,654,338	8,579,180
Summary Statement of Net Assets		
Assets		
Financial Assets – At Fair Value Through Profit or Loss	61,299,812	47,052,786
Other Assets	3,139,315	2,717,932
Total Assets	64,439,127	49,770,718
Less: Total Liabilities	(188,941)	(174,870)
Net Assets Available For Benefits	64,250,186	49,595,848
Vested Benefits	63,845,271	49,338,289
Summary Statement of Cash Flows		
Net Cash Flows from Operating Activities	8,020,753	6,748,659
Net Cash Flows from Investing Activities	(7,380,000)	(6,850,000)
Net Increase/(Decrease) in Cash Held	640,753	(101,341)
Cash at Beginning of Year	1,494,348	1,595,689
Cash At End Of Year	2,135,101	1,494,348

NOTES TO THE SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

A summary of the Fund's audited financial statements for the year ended 31 December 2012 which were authorised for issue by Public Trust (the "Trustee") on 04 June 2013 is shown on pages 6 to 7. The summary financial statements have been extracted from the full financial statements for the year ended 31 December 2012 which were authorised for issue by the Trustee on 04 June 2013. The auditor issued an unmodified audit report on the full financial statements dated 04 June 2013.

The summary financial statements have been prepared in accordance with FRS 43: Summary Financial Statements. The full financial statements have been prepared in accordance with New Zealand generally accepted accounting practice and they comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") as appropriate for profit-oriented entities. The full financial statements also comply with International Financial Reporting Standards. The Fund has made an explicit and unreserved statement of compliance with International Financial Reporting Standards in note 2 to the full financial statements.

The full financial statements and the summary financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the Fund operates.

The summary financial statements cannot be expected to provide as complete an understanding as provided by the full financial statements of the Fund as they do not include all of the disclosures provided in the full financial statements. A copy of the full financial statements can be obtained, free of charge, from the Cook Islands Office located in the Clarkes Building, Parekura, Rarotonga, Cook Islands.

The auditor has examined the summary financial statements for consistency with the audited full financial statements and has issued an unmodified audit report on the summary financial statements which is set out on page 10.

RESTATEMENT OF COMPARATIVE INFORMATION

The comparative information shown in the full and summary financial statements has been restated to reflect an adjustment to the contributions received by the Cook Islands Office based on the correct contribution month. This has resulted in a reduction in the contributions recorded in the Statement of Changes in Net Assets for the year ended 31 December 2011 of \$563,446 and a corresponding reduction in the total contributions receivable recorded in the Statement of Net Assets as at that date. This restatement has no impact on the allocation of interest to the members' compulsory accounts as interest is allocated based on the month the contributions are repatriated to the Administration Manager and not the return month. The summary financial statements on page 7 reflect this restatement.

SUBSEQUENT EVENTS

On 11 April 2013 the Investment Manager, Russell Investment Group Limited, terminated the Russell World Bond Fund and the Russell World Equity Strategies Fund (collectively the "Investment Funds") and commenced wind up procedures. As part of the winding up process, the Fund received its pro-rata share of the Investment Funds' assets, after taking into account any liabilities, costs and expenses. The wind up process was completed by 30 April 2013. The proceeds of the wind up have been reinvested in a combination of the New Zealand and Australian unit trusts and follow the same 35% Growth Assets and 65% Income Assets benchmark allocations as previously adopted by the Trustee. The Trustee does not believe that the change in underlying investment funds has had any significant impact on the carrying value of the investments held at year end.

MEMBERSHIP CHANGES DURING THE YEAR

The below table shows the membership movements for the year ended 31 December 2012.

MEMBERS	
As at 1 JANUARY 2012	6,614
New Members	578
Retirements	(42)
Deaths	(15)
Expatriate Withdrawal	(48)
Disabilities	(2)
Withdrawn Membership*	(60)
Members as at 31 DECEMBER 2012	7,025

* Withdrawn Membership refers to duplicate names that have been removed

PENSIONERS	
As at 1 JANUARY 2012	43
New Pensioners	15
Pensioners as at 31 DECEMBER 2012	58



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE COOK ISLANDS NATIONAL SUPERANNUATION FUND

Report on the Summary Financial Statements

The accompanying summary financial statements of the Cook Islands National Superannuation Fund (the "Fund") on pages 7 and 8, which comprise the Summary Statement of Net Assets as at 31 December 2012, and the Summary Statement of Changes in Net Assets and Summary Statement of Cash Flows for the year then ended, and related notes, are derived from the audited financial statements of the Fund for the year ended 31 December 2012. We expressed an unmodified audit opinion on those financial statements in our report dated 4 June 2013.

The summary financial statements do not contain all the disclosures required for full financial statements under generally accepted accounting practice in New Zealand. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the Fund.

This report is made solely to the Fund's members, as a body. Our audit has been undertaken so that we might state to the Fund's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund's members as a body, for our audit work, for this report, or for the opinions we have formed.

Trustee's Responsibility for the Financial Statements

The Trustee is responsible for the preparation of a summary of the audited financial statements, in accordance with FRS-43: Summary Financial Statements.

Auditor's Responsibilities

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (New Zealand) (ISA (NZ)) 810 Engagements to Report on Summary Financial Statements.

Other than in our capacity as auditor and the provision of taxation advice, we have no relationship with or interests in the Fund.

Opinion

In our opinion, the summary financial statements are correctly extracted from the audited financial statements of the Fund for the year ended 31 December 2012 and are consistent, in all material respects, with those financial statements, in accordance with FRS-43.

Chartered Accountants
4 June 2013
Wellington, New Zealand



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BOARD

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Cook Islands Workers Assn

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Non-Chamber Employers

Vacant

Chamber of Commerce

John Kenning - Chairman
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Contributors Representative

Anna Koteka
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CHIEF EXECUTIVE OFFICER

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

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