



CINSF


COOK ISLANDS NATIONAL SUPERANNUATION FUND



ANNUAL REPORT

To the Members for the year ended 31 December

TWENTY TWENTY





SUPPORTING SECURITY IN RETIREMENT...



2020 HIGHLIGHTS



NET ASSETS

\$208,248,192



GAIN ON INVESTMENTS

\$15,667,056



TOTAL CONTRIBUTIONS

\$11,453,109



BENEFITS PAID TO MEMBERS

\$4,305,405

Declared Returns to Members



CONSERVATIVE FUND

6.8%



BALANCED FUND

8.1%



GROWTH FUND

9.7%



TOTAL NUMBER OF MEMBERS

12,688

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CEO LETTER TO MEMBERS



Kia Orana Koutou,

When I began writing the CEO letter I had to consider the major events, challenges, and achievements of the year, and prioritise those in order of importance, and the most important event for the CINSF was the celebration of our 20th Anniversary.

On the 24th of November 2000, the CINS Act was passed, establishing our National Superannuation Fund. In November 2020, we took time to pause, to recognize, and to thank the key people that conceptualized, initiated, and delivered the CINS Act into existence, and those that established and guided the CINSF operation from its opening to where it is today, as the largest and fastest growing Cook Islands Financial Institution. Our 20th Anniversary also coincided with the CINSF reaching another milestone of \$200m in Funds under Management.

Whilst we celebrated an institutional achievement, 2020 was also dominated by a Global Pandemic, that has had an immense impact on our country and our people. The CINSF was affected with significant declines in the valuations of our investments in early 2020, before recovering towards the end of the year.

Through a period of significant volatility in Financial Markets we held our investment positions with a focus on our long term objectives. The markets rebounded favourably in the latter half of 2020 and this resulted in the following declared returns to members:

Growth Fund 9.7%

Balanced Fund 8.1%

Conservative Fund 6.8%

Whilst the pandemic had many negative effects, we responded by supporting the Government of the Cook Islands Economic Response Plan (ERP), and we did this in a couple of ways.

Firstly, we re-engineered our CINSF Te Roro software to enable applications for ERP grants and wage subsidies, as well as the distribution of payments once approved by the Revenue Management Division (RMD).

Secondly, the CINSF Board approved a temporary reduction in the compulsory contribution rates from the employers and employees most affected by the economic impacts.

I am extremely proud of the efforts of our team and our supporting partner Transformative, to have developed and implemented a country level solution expeditiously to the businesses and employees across the Cook Islands - a monumental achievement.

A positive outcome from this has been the registration of over 600 new employers, as the informal sector registered with the RMD and CINSF for the ERP.

Whilst our support of the Economic Response Plan took up a significant amount of time and effort, we continued to work on the strategic objectives relating to pensioner benefits. At the close of 2020, the CINSF Board and Trustee approved changes to the minimum pension threshold for full withdrawal of Members Compulsory Account balances, along with the introduction of a terminal illness benefit for pensioners. These benefits will be implemented in early 2021.

We further completed a number of reviews across our investment portfolio assessing our asset classes, strategic allocations, sector forecasts, and our statement of investment policies and objectives. These reviews have identified options for us to improve the retirement outcomes for members, and will be gradually implemented during 2021 and 2022.

There is always more to do for our members, and I am grateful for the support of our CINSF Board Members, Trustee, Investment Managers, Service Providers, and most importantly the Staff here in our Cook Islands Office, for all the hard work they have put in during a challenging year, to do the best they can for our people.

Meitaki Maata e Kia Manuia



Damien Beddoes

Chief Executive Officer

TRUSTEE LETTER

Message from 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 2020. The Annual Report is provided to keep you informed of the Fund’s financial results during the year and your investment in the Fund.

Your individual member statement which lists the value of your benefits as at 31 December 2020 has been uploaded to your online investment account records, available through the member log-in from the CINSF website. Alternatively, a copy is available to you from the CINSF Office.

Fund Activity

During the year under review, combined contributions from members and their employers were \$11.4M (2019: \$18.3m). Benefit payments were \$4.31m (2019: \$5.2m). Members will be aware of the government legislation that reduced the contribution rates during 2020 due to the impact on the economy of the COVID-19 pandemic.

Despite the COVID-19 pandemic and the decrease in contribution rates, the net asset value of the Fund grew by \$20.2m to reach \$208.2m (2019: \$188.0m). Also, 950 new members joined the Fund, bringing the total membership to 12,688. Pensioners rose from 278 at the end of 2019 to 331 as at the end of 2020.

The Conservative Fund is the Default Fund where new members are allocated to if they don’t provide an investment selection.

CINSF Fund Performance

The table below sets out the interest rates to be credited to Member Accounts for the year ended 31 December 2020.

CINSF Investment Fund	Interest Rate Year ended 31 December 2020 (%)
CINSF Conservative Fund	6.8%
CINSF Balanced Fund	8.1%
CINSF Growth Fund	9.7%

The Investment Fund returns are a combination of the change in market value of the Funds plus any distributions which are reinvested back into the Funds.

As noted in the 2019 Annual Report, the Fund was not immune to the impact of the COVID-19 pandemic on the Fund’s investments. Despite the negative impact on investment markets, particularly in the March 2020 quarter, the Fund recovered to post the positive returns for the 2020 year noted in the table above. Members will be aware that the pandemic is ongoing and on the advice of the Fund’s actuary, the Trustee and the Board have opted to retain the Reserve Account balance at \$2,058,030 (2019: \$2,086,000) in the event there is a need to offset any future investment losses.

As part of the ongoing and long term nature of the Fund, the Trustee in consultation with the Board will continue to undertake investment reviews in consultation with the investment managers, investment staff at the CINSF Office and with independent investment consultants.

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 dependents.

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 5% of your salary to the Fund and your Employer also contributes 5%*. All contributions are allocated to your Member and Employer Account (collectively known as your Compulsory Account) held in your name. Each year Compulsory Accounts are credited with interest reflecting the rate earned by the Fund during the year. In financial years where there are investment losses, Compulsory Accounts could show negative returns 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, except in certain circumstances, while remaining a contributing member. The Fund also provides you with Life Insurance cover provided you meet certain criteria.

Changes to Pension Benefits

Effective from 1 April 2021 the following changes have been made to the Trust Deed that impacts pension benefits.

- i An increase of the minimum balance of the Compulsory Account from \$15,000 to \$45,000 that will allow members, when they reach their retirement age, to withdraw their Compulsory Account or opt for a pension.
- ii To allow existing Pensioners whose Compulsory Account balances were less than \$45,000 at the time they became a Pensioner to withdraw the full balance of their Pension Account.
- iii To allow Pensioners who are suffering from a Terminal Illness to withdraw the full balance of their Pension Account.

Up to 25% of the retirement benefit can be taken as a lump sum withdrawal and the balance is used to determine your pension entitlement; i.e. lump sum repayment or monthly pension payment.

The Members Product Information Handbook will be updated to include new details of benefit entitlements upon retirement, death or disability.

Pension Rates

An Actuarial review of the Fund was conducted for the year ended 31 December 2019. The report was finalised in August 2020 and an implementation date of 28 February 2021 for the new pension rates was determined. Under legislation, an actuarial review is required at a minimum 3 year period since the previous review. The next Actuarial review is scheduled for 31 December 2022.

The full list of current pension rates is available from the CINSF Office or the Fund's website.

* As part of the Government's economic stimulus package, employee and employer contributions were reduced to 1% as at the year ended 31 December 2020. Recent legislation has been passed that will extend the 1% rate through to 30 June 2021 although Employees and Employers can still make contributions up to 5% if they wish. An Order in Executive Council may extend the 1% contribution period through to 30 September 2021.

CELEBRATING 20 YEARS



The following article was written by Rachel Reeves and is reproduced here for all our members.

Seldom does an anniversary recognise a smooth journey. Most often, it honors the fraught survival of something good -- a marriage, perhaps, or a business or a child. On the 24th November 2020, the Cook Islands National Superannuation celebrated 20 years. For the people who steered it into this moment, along a road peppered with potholes, it represents the resilience and stamina of something good.

The fund not only survived the storms, but in eight years it's more than doubled, amassing over \$200 million for members and pensioners.

The story of the Fund begins in the late 1990s, when three politically engaged Cook Islanders, all of them lawyers -- laveta Short, Norman George, and Tony Manarangi -- conceptualised and created a superannuation system in the Cook Islands.

laveta laid out his vision. The fund would, in its infancy, receive government subsidies to support its operation. He imagined legislation that would make it compulsory for employers to invest a portion of their employees' wages. (If it were voluntary, laveta theorised, no one would invest. Other countries, such as Australia and the United States, have followed the same logic.) Financial managers would make careful investments to grow the fund, and ultimately it would sustain itself. laveta visualised it being governed by a board and Public Trust of New Zealand, a Crown entity that specialises in protecting public investments.

Norman George, then the country's deputy prime minister, presented the idea to his fellow decision-makers in Cabinet and Parliament. He worked on migrating pensions for members of Parliament into the fund. Tony Manarangi began writing the legislation. On the 24th day of November 2000, the Cook Islands National Superannuation Act became law.

The fund was, in large measure, a success. People received tax-free pensions. (In both New Zealand and Australia, superannuation funds are taxed.) Grieving families accessed its group life policy, which ensures every contributor has life insurance equal to a year's worth of his or her salary. Many CEOs and board members, including Kevin Carr and the late John Kenning, guided it forward.

The first major pothole appeared in 2007. Members of the business community were refusing to invest in the fund because they believed it would fail. Most had come from New Zealand, where employers at the time were not required to pay into a retirement fund. (This is not the case everywhere; in Australia and the United States, contributing is compulsory.)

A legal dispute ensued. The high court ruled in favor of the fund's opponents, then the appellate court sided with the fund. In 2016, after nine years of being in court, London's Privy Council ruled in favor of the CINSF.

Damien Beddoes, who had joined the fund as CEO amid this fracas, resolved to regain the confidence of the fund's contributors. He wanted everyone to know that the intentions of his organisation were benevolent and worthy of trust. He adopted the goal of turning the CINSF into the country's most open and transparent organisation.

Staff began posting financial records, audit reports, and monthly returns on the organisation's website. Members could log in to monitor the contributions their employers made. The CINSF also began offering members a choice of investment strategy: higher risk for higher returns, moderate risk for moderate returns, lower risk for lower returns.

Perceptions began to shift. If anyone criticised the fund on Facebook, it wasn't staff that responded; it was other members. "Just go to the website," they'd write. "It's all there." Someone who participated in a poll published in Cook Islands News said he trusted the fund more than the banks.

On its 20th birthday, the CINSF celebrates being mature and out of its parents' house. The fund is growing and no longer receiving a budget allocation from government. It's run by an inclusive board with members representing unions, workers, and the Chamber of Commerce.

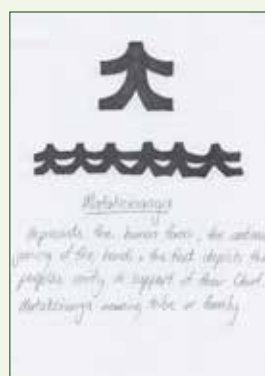
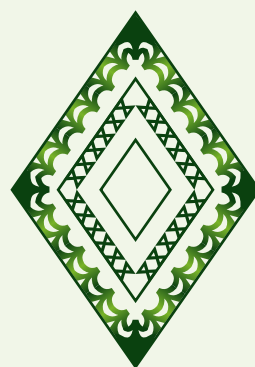
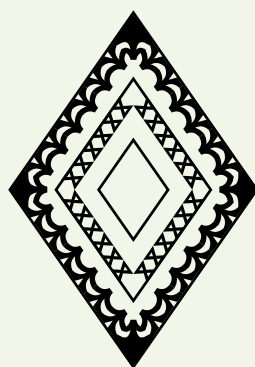
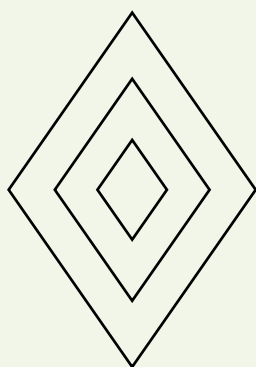
It's also at the forefront of innovation and digitisation in the Cook Islands. Staff created software to track each dollar from the moment it enters the fund to the time it gets paid out as a pension. The system was so effective that national leaders turned to the CINSF for help tracking wage subsidies after COVID-19 interrupted tourism.

The CINSF has also been involved in growing regional programmes and opportunities. In 2018, the Cook Islands hosted a meeting of CEOs of 18 funds from 15 countries, which culminated in the birth of a regional investment forum managing combined assets of \$75 billion. The partnership allows small funds to access large opportunities, as well as training and specialists.

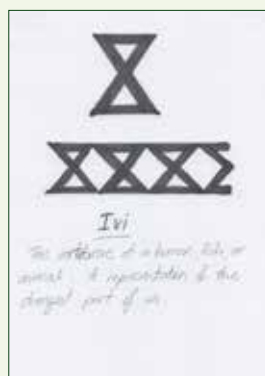
The CINSF is committed to pursuing the dual goals of innovating and remaining deeply rooted in the Cook Islands. This is the essence of a new logo unveiled last week, which features three Cook Islands motifs provided by renowned local artist Mike Tavioni, which represent the unity of the Cook Islands people, good governance, and the assets the fund manages. Its leadership and staff seek to engage at a grassroots level. They work with the Ministry of Health to understand the financial implications of non-communicable diseases, for example, and work on plans to assist first-time home buyers.

"I hope going forward that this fund will be recognised as something Cook Islanders should be really proud of -- something they own," Beddoes said. "It's not sexy, but it's innovative, it's robust. It's got a good purpose. It's out there doing what it should be, as a tool, as a mechanism to support us when we retire. Although that always sounds like it's a long way off, it comes around fast."

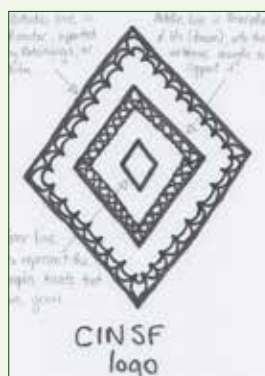
OUR LOGO INSPIRATION



MATAKEINANGA/
MOUMOURIMA



IVI



COMBINED FORMS
OUR ICON



CINSF
COOK ISLANDS NATIONAL SUPERANNUATION FUND



CINSF

COOK ISLANDS NATIONAL SUPERANNUATION FUND

SUPPORTING SECURITY IN RETIREMENT

CINSF

COOK ISLANDS NATIONAL SUPERANNUATION FUND



AN ECONOMIC RESPONSE

In March of 2020, COVID-19 was declared a global pandemic, and the Cook Islands Government closed the borders to protect our citizens from a virus that has the potential to cause significant loss of life.

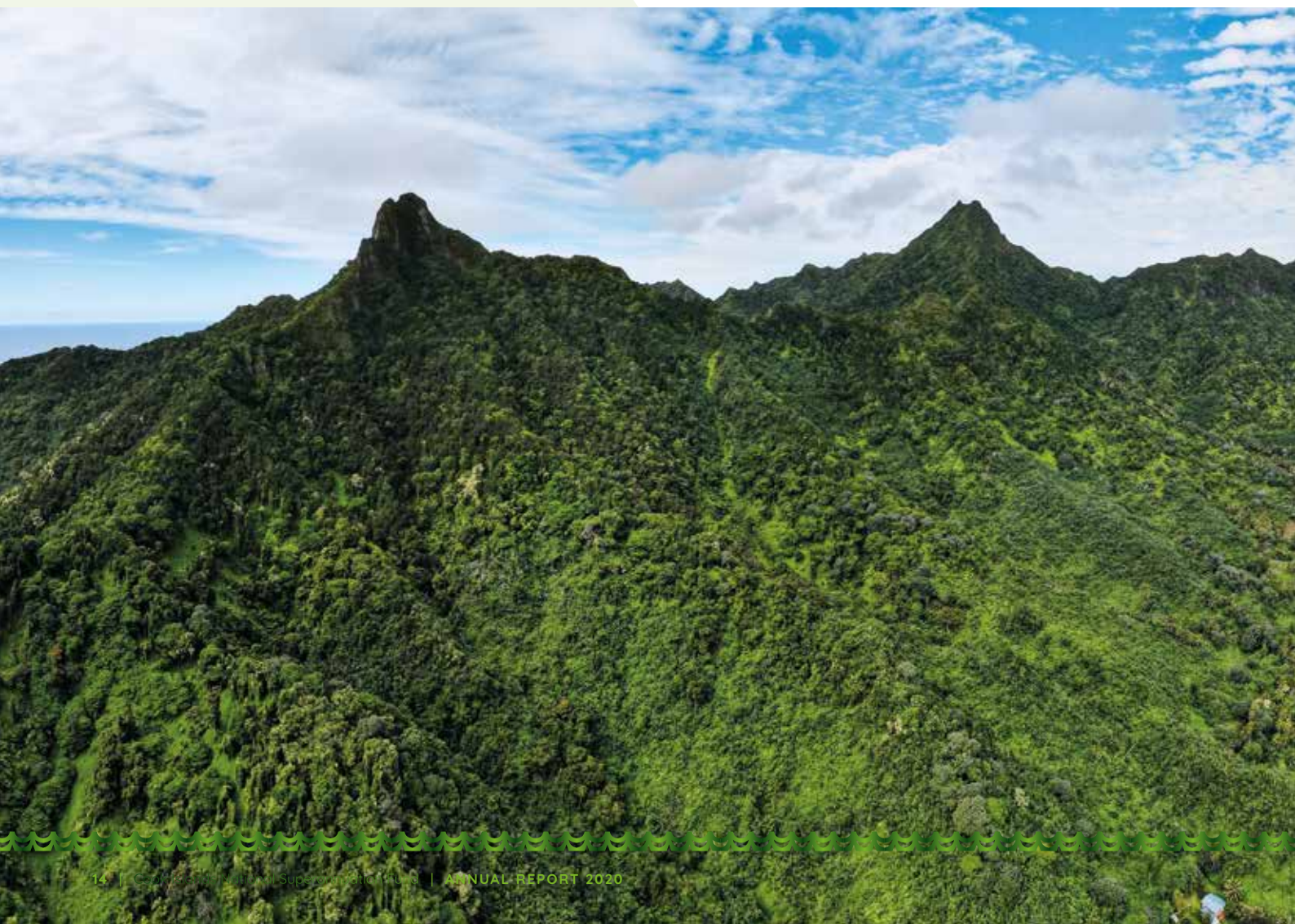
By closing the border, the countries tourism sector, which provides between 60% - 70% of our gross domestic product (GDP), was also closed, and as the global health impacts continued to worsen, the Cook Islands Government realized that this pandemic was going to have impacts longer than just a few months. They set about to develop an economic response to support businesses and its citizens.

We were called on to assist businesses that were financially impacted, and the CINSF Board and Trustee agreed to a reduction in the compulsory contribution rates for those businesses.

We were also asked to consider how we could assist the delivery of the Cook Islands Government economic response. Having recently launched our new software Te Roro, for employers to make their monthly declarations, we proposed re-engineering it from receiving declarations and contributions to making approvals for grant and wage subsidy payments all on a digital platform.

The timeframe we were given to launch the service was immediately, and with the support of our developers Transformative, we were able to commence receiving applications online within 7 days, with the first subsidy payments to employers being made just 12 days later. An incredible result and a credit to not only the hard work but smart initiatives when Te Roro was originally developed.

The CINSF has helped to facilitate over \$40m in ERP payments to the business community and their employees in 2020.



EMPLOYER REGISTRATIONS

New Employers

A condition of the Cook Islands Government ERP was that an employer, whether they were a sole trader, partnership, company or other entity, had to be registered with both the Revenue Management Division (RMD) and the CINSF.

Prior to COVID-19, the CINSF had 297 registered employers. In the months that followed the announcement and launch of the ERP, the CINSF registered 1130 new employers taking our total number of employers to 1427.

Whilst the CINSF registered a few historically non-compliant employers, the vast majority of new employers were sole traders, accommodators with one or more homes in the tourism market, market vendors, and employers from the Pa Enua.

The entire resource of the CINSF office was utilized to process the registrations, working 7 days a week and long into the nights, over a period of almost 4 months to bring all the employers into line with our know you customer (KYC) and anti-money laundering requirements, to protect the integrity of our database.





MEMBER BENEFITS - PENSION BENEFITS

Pension Threshold

The Board completed its review of the recommendations to change the Pension threshold and to implement a Terminal Illness benefit for pensioners.

The Pension threshold is the balance of money that a member is automatically paid out, in full, when they retire. This has been set at \$15,000 since the inception of the CINSF. If a member has a balance of \$15,000 or more at retirement, they were then entitled to the pension for life benefit.

The CINSF Board approved an increase in the Pension Threshold from \$15,000 to \$45,000, and extended this offer to cash out existing pensioners whose balances at their retirement date was \$45,000 or less. This change is expected to provide approximately 170 existing pensioners that collectively hold almost \$3.7m in balances, the option to cash out.

Pensioner Terminal Illness

A Terminal Illness benefit has been in place for contributing members under the age of 60 years. As the number of pensioner members in the scheme has continued to increase we have listened to the needs of those members, and recognize the desire for our pensioner members to also be able to have the option to access, and determine the use of their funds before they pass.

A CINSF member becomes ineligible for a claim under the Group Life Insurance Policy when they turn 60 years of age, and therefore the Terminal Illness claim for a pensioner will not include any life insurance, it will only include the remaining balance of their compulsory account, and any voluntary contributions they may have.

The Terminal Illness benefit will be effective from early 2021.

Pension for Life

The Pension for life provided to CINSF members is representative of the Fund's role to support security in retirement.

This particular pension benefit places an obligation on the CINSF to ensure that a pensioner will always receive a pension payment from the fund even if they have no savings left in their pensioner account. In the event of their death, the pension payment will continue (under certain conditions) to be paid to their spouse until the spouses' death.

A pensioner's funds will always remain in their name, and in the event of their death, or the death of their spouse if they are receiving the pension for life, the remaining balance of their pensioner account is paid out to their estate.

MEMBER STATISTICS

Throughout the year the CINSF monitors the changes in membership, manages the member claims, and attends to the wide range of enquiries by both members and employers. To follow are the 3 main demographics of the CINSF membership:

Membership Movement

Details	2020
Opening Membership	12,008
New Members	950
New Pensioners	55
Subtotal	13,013
Expatriate Withdrawal	201
Early Retirement	6
Retirement	89
- Total & Permanent Disablement	6
- Death Claim	9
Withdrawn Membership	14
Total Exits	325
Membership Total as at 31 Dec. 2020	12,688

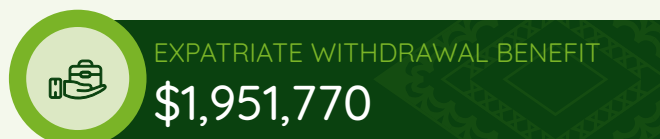
Member Age Profile

Demographic	Members
Members 20 years & under	541
Members 21 - 30 years	3197
Members 31 - 40 years	3382
Members 41 - 50 years	2727
Members 51 - 60 years	2126
Members 61 - 64 years	368
Members 65 + years	347
Total	12,688

Benefit Payments

Type of Benefit	Amount Paid
Retirement	\$1,256,937
Death	\$68,755
Insurance Proceeds Paid	\$121,199
Pensions Paid	\$775,052
Temporary & Permanent Disablement	\$60,033
Serious Illness	\$71,659
Expatriate Withdrawal Benefit	\$1,951,770
Total	\$4,305,405

BENEFIT PAYMENTS



THE BOARD AND STAFF

Board

The CINSF Board is made up of five Board Members; a member elected representative, a Cook Islands Workers Association representative, a Chamber of Commerce representative, a Non-Chamber Employer elected representative, and the Financial Secretary. The Board members are appointed for a term of 3 years, and can be re-elected for further terms.

In 2017 the CINS Act was amended to provide for the removal of the Financial Secretary as a permanent Board representative. Following that

amendment, the Board requested the Financial Secretary remain on the Board due to the specialist skill set and diversity in thinking that the Financial Secretary provides to the Board.

The Board does have additional powers to add up to two more Board Members, and these appointments are made where the Board seeks to strengthen its governance in any specialized areas. The Board to date has not appointed any additional Board members.

The current Board Members are:



Mrs Anna Koteka
Members Representative



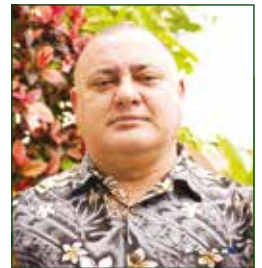
Mr John Tini
Cook Islands Workers
Association Representative



Mrs Tatiana Burn
Cook Islands Chamber of
Commerce Representative



Mr Heinz Matysik
Non Chamber of
Commerce Employer
Representative



Mr Garth Henderson
Cook Islands Financial
Secretary

CINSF Board Meetings

The CINSF Board convened 10 formal and 2 special Board meetings in the 2020 year. Due to the travel restrictions in 2020 the Board of Directors were unable to attend a number of planned education and industry events.

Board Remuneration

Ordinary Board Member: \$10,000 per year

Board Chairperson: \$15,000 per year

Staff

This year we welcomed 4 new staff Eri-Te-Ana Short, Tara Tschan-Toi, Leviticus Atira and Natalia Short.



Eri-Te-Ana Short
Investment Analyst

Eri-Te-Ana has joined the CINSF as an Investment Analyst and is the first member of the new internal investment team. Eri grew up in Rarotonga, before heading to New Zealand for secondary and university education. She has completed a Law & Business Conjoint Degree – Marketing & Management Double Major from Auckland University.



Taraatua Tschan
Client Services

Tara Tschan-Toi was instrumental in the support to Aitutaki businesses registering with both CINSF and RMD and then assisting them in applying for ERP grants. With a significant number of new registrations in Aitutaki and the Pa Enua, Tara has joined the CINSF on a part time basis to work with all our Pa Enua employers and members.



Leviticus Atira
Client Services

Levi Atirai has joined the CINSF taking up a vacancy in our Client Services Team in Rarotonga. Levi returned to live in the Cook Islands from Australia.



Natalia Short
Accountant

Natalia Short is another recently returned graduate with a Bachelor of Business (Double Major Accounting and Management), from Auckland University of Technology and has taken up the Accountants role in our Finance Division. Natalia will strengthen the Funds financial resource as the team looks forward to future initiatives to improve the management of the Funds administration.

Zane Sanderson and Nooke Thomas both departed the CINSF in 2020.

ORGANISATIONAL CHART

CINSF Board of Directors





INVESTMENT

Investment Returns

In 2020, the finalized declared interest rates for each CINSF Investment Fund (set out in the table below) signified a stronger than expected turnaround in the global markets towards the latter end of the year:

CINSF Investment Fund	Interest Rate Year ended 31 Dec. 2020
CINSF Conservative Fund	6.8%
CINSF Balanced Fund	8.1%
CINSF Growth Fund	9.7%

In the March quarter of 2020, the Funds' investments devalued between -6.65% and -16.23% across each investment option, as the Global Pandemic made its impact on the Financial Markets. As a precaution, we set aside the incoming member contributions in cash, in case COVID-19 entered the Cook Islands and the Fund was required to pay out a number of death claims.

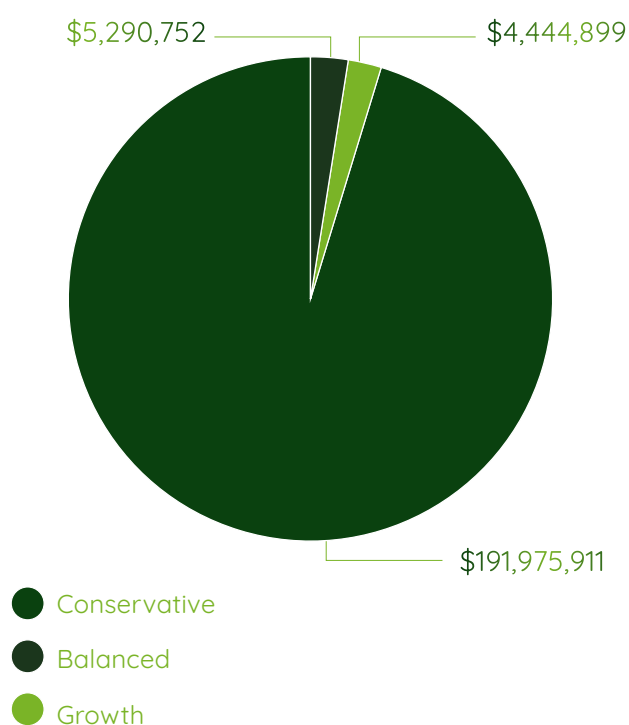
The remainder of the portfolio continued to be invested in line with our Investment Strategy, and whilst within the markets there was significant volatility, the overall position at the end of 2020 was positive.

Although the international landscape was notably impacted by COVID-19 in 2020, the markets recovered much better than expected towards the later part of the year. As we move into 2021 and the new "normal", our Investment Team continues to work closely with our Investment Managers with a watchful confidence in a way that stays true with our internal strategic objectives.

Member Investment Options

The Conservative Fund, as the default option, continues to hold the large majority of contributions from our Members. While the Conservative Fund has the lowest investment risk out of the three options, it also provides the lowest return on your investment compared to the Balance and Growth options. We actively encourage our Members to visit our website and use the information provided, including our Members Handbook, to determine the right investment option that suits each individual.

The team at CINSF continue to provide regular presentations to employers and their staff to raise awareness on the investment options available. This ensures that we are engaged with our Members at the interpersonal level and to leverage supplementary online information.





Statement of Investment Policies and Objectives (SIPO)

The SIPO is the guiding document for the Board and Trustee in the governance of the CINSF investments, and this year we completed an extensive review to ensure it remains relevant in the current and future investment landscape. The CINSF is continuing to conduct research into the current asset allocations and asset classes, in particular the exposures to the New Zealand market, and our New Zealand dollar hedging policy.

The SIPO now provides for the CINSF investment portfolio to have an asset allocation to investments in the Cook Islands. Any investments made in the Cook Islands are anticipated to be Direct Investments, where the CINSF is most likely to be a major shareholder.

Direct Investments

The CINSF has established policies and an investment framework to assess any direct investment opportunities within the Cook Islands, and whilst opportunities have arisen during 2020, the Fund currently has no investments in any Cook Islands entities. In the future, we hope to broaden our horizons in the ways we invest both domestically and internationally.



PORTFOLIO SUMMARY

Details of the three CINSF Investment Funds available to Members are set out below.

CINSF CONSERVATIVE FUND VALUE OF FUNDS 31 Dec 2020: \$191,975,911 31 Dec 2019: \$176,077,631	The investment policy and objective of the Fund is to produce rates of return over time in excess of inflation by investing a small percentage of assets in growth assets while keeping the probability of a negative return at low levels.	
Asset Class	Range	Allocation as at 31 Dec 2020
Pacific Equities	8% – 10%	12.0%
Global Equities	16% - 24%	22.1%
Growth Assets	25% - 35%	34.1%
NZ Cash	0% – 5%	0%
Pacific Fixed Interest	12% – 16%	12.7%
Global Fixed Interest	52% – 60%	53.3%
Income Assets	65% - 75%	65.9%
CINSF BALANCED FUND VALUE OF FUNDS 31 Dec 2020: \$5,290,752 31 Dec 2019: \$4,313,150	The investment policy and objective of the Fund is to produce rates of return in excess of inflation appropriate for a long-term (7 years) investment strategy for retirement.	
Asset Class	Range	Allocation as at 31 Dec 2020
Pacific Equities	18% – 22%	22.3%
Global Equities	36% - 44%	41.6%
Growth Assets	55% - 65%	63.9%
NZ Cash	0% – 5%	0%
Pacific Fixed Interest	6% – 10%	7.0%
Global Fixed Interest	28% – 36%	29.2%
Income Assets	35% - 45%	36.1%
CINSF GROWTH FUND VALUE OF FUNDS 31 Dec 2020: \$4,444,899 31 Dec 2019: \$3,142,781	The investment policy and objective of the Fund is to produce rates of return over time well in excess of inflation by investing the majority of the assets in growth assets (e.g. equities).	
Asset Class	Range	Allocation as at 31 Dec 2020
Pacific Equities	24% – 28%	27.9%
Global Equities	50% - 58%	54.4%
Growth Assets	75% - 85%	82.3%
NZ Cash	0% – 5%	0%
Pacific Fixed Interest	2% – 6%	3.4%
Global Fixed Interest	12% – 20%	14.2%
Income Assets	15% - 25%	17.7%

Asset Classes

The Fund seeks exposure to different classes of investments by investing in investment funds managed by Russell Investment Group Limited. See the following table.

Asset Class	Russell Investments Managed Fund	Benchmark
Pacific Equities	Russell Investments NZ Shares Fund	S&P/NZX 50 Index (gross) and including imputation credits
Global Equities hedged	Russell Global Opportunities Fund Class B - \$NZ Hedged	MSCI ACWI Net Index 100% NZD Hedged
Pacific Fixed Interest	Russell Investments NZ Fixed Interest Fund	Bloomberg NZ Bond composite 0+ Yr
Global Fixed Interest hedged	Russell Global Bond Fund – Class B	Bloomberg Barclays Global Aggregate Index (NZD Hedged)

Further information on the Russell Investments Managed Funds is set out below.

Russell Investments New Zealand Shares Fund

The Russell Investments New Zealand Shares Fund aims to provide a total return, before costs and tax, higher than the benchmark over the long term (over 3 years) by having an underlying exposure to a diversified portfolio of predominately New Zealand Shares.

For the year ended 31 December 2020 the return (gross of tax and fees) of the fund was 16.3%.

The fund is a New Zealand registered Managed Investment Scheme.

Top 10 Holdings as at 31 December 2020	
Fisher and Paykel Healthcare Corporation	14.1%
A2 Milk Company Ltd	7.5%
Spark New Zealand Ltd	7.0%
Mainfreight Ltd	6.3%
Auckland Inter. Airport Ltd	5.7%
Meridian Energy Ltd	5.6%
Ryman Healthcare Ltd	4.8%
Contact Energy Ltd	4.5%
EBOS Group Limited	4.5%
Fletcher Building Ltd	4.3%

Russell Global Opportunities Fund (\$NZ Hedged – Class B)

The Russell Global Opportunities Fund (\$NZ Hedged – Class B) aims to provide a total return, before costs and taxes, higher than the benchmark over the long term by having an underlying exposure to a diversified portfolio of international shares, targeting a position of being fully hedged back to New Zealand Dollars.

The investment fund invests predominately in a broad range of international shares listed on stock exchanges in developed as well as emerging international markets. Derivatives may be used to obtain or reduce exposure to securities and markets, to implement investment strategies and to manage risk. The Fund targets a position of being fully hedged back to New Zealand Dollars.

The fund is an Australian registered Managed Investment Scheme.

For the year ended 31 December 2020 the return (gross of tax and fees) of the fund was 9.7%.

Market Exposure – as at 31 December 2020	
Financials	18.6%
Information Technology	18.2%
Consumer Discretionary	13.9%
Health Care	10.7%
Industrials	9.2%
Communication Services	8.7%
Materials	8.4%
Consumer Staples	5.9%
Energy	2.8%
Utilities	2.4%
Real Estate	1.2%
Other	0.1%

Russell Investments NZ Fixed Interest Fund

The Russell Investments NZ Fixed Interest Fund aims to provide a total return, before costs and tax, higher than the benchmark over the long term (over 3 years) by having an underlying exposure to a diversified portfolio of fixed interest securities.

The investment policy of the fund is to be invested in fixed interest securities denominated in New Zealand dollars.

For the year ended 31 December 2020 the return (gross of tax and fees) of the fund was 5.6%

The fund is a New Zealand registered Managed Investment Scheme.

Top issuers as at 31 December 2020	
NZ Government	34.2%
NZ Local Government	7.7%
Housing New Zealand	3.6%
NZ Government Inflation Index Bonds	3.4%
Transpower New Zealand	3.4%
ASB Bank Limited	3.0%
Westpac New Zealand Ltd	2.9%
Landwirtsch. Rentenbank	2.4%
Fonterra Cooperative Group	2.0%
ANZ Bank New Zealand	2.0%

Russell Global Bond Fund – Class B

The Russell Global Bond Fund – Class B aims to provide a total return, before costs and tax, higher than the fund's benchmark over the medium term by providing exposure to a diversified portfolio of predominately fixed income securities denominated in foreign currencies and largely hedged into New Zealand Dollars.

The investment fund invests predominately in debt securities issued by supranationals, international governments, quasi-governments, agencies and corporates as well as structured credit securities including mortgage and asset backed securities. The investment fund may also be exposed to low grade or unrated debt securities, emerging markets and currency to a limited extent. Derivatives may also be used to obtain or reduce exposure to securities and markets, to implement investment strategies and to manage risk. Foreign currency exposures are largely hedged back to New Zealand Dollars.

The fund is an Australian registered Managed Investment Scheme.

For the year ended 31 December 2020 the return (gross of tax and fees) of the fund was 8.4%

Market Exposure as at 31 December 2020	
Government and Cash	45.3%
Residential Mortgage Backed Securities	13.8%
Emerging Market Debt	11.3%
Investment Grade	10.1%
High Yield	8.6%
Asset Backed Securities	4.4%
Commercial Mortgage Backed Securities	3.1%
Government Related	2.4%
Equity	0.8%
Covered	0.2%

Note: Allocations listed above can change on a daily basis.





2020 - MARKET REVIEW

By Guy Fisher and Ayaz Mohamed



The COVID-19 pandemic that swept across the globe has shocked economies around the world and resulted in the deepest and sharpest global recession since the Second World War. After lurching in and out of lockdowns of their populations, governments in many countries have been unable to contain the spread of the virus which has proved to have devastating health and economic consequences. With more than 100 million identified cases and in excess of two million deaths at the time of writing, the health emergency continues to spiral out of control in many countries. However, the beginning of 2021 marked the first large scale vaccination programmes which will hopefully soon start to slow the spread of the virus and allow economies to begin to function more normally.



The rapid spread of the virus earlier in the year contributed to panic and sharp declines in shares and fixed interest securities during February and early March as investors dramatically retreated from markets. However, even as economies around the world crashed, investment markets recovered strongly as central banks cut interest rates and injected massive liquidity. Simultaneously governments initiated huge spending programmes to combat the economic impacts of the virus. Remarkably, many companies and sectors of economies have thrived, and some areas of the share markets, most notably the large technology and consumer stocks of the US (e.g. Amazon, Netflix and Apple), delivered exceptionally strong returns in 2020.



Continuing the recent trend, both US and New Zealand share markets had very strong years in 2020. These markets represent a large portion of the Cook Islands National Superannuation Fund's (CINSF) portfolios and contributed positively to member returns. For the year 2020, New Zealand shares¹ advanced close to 14% while global shares² gained more than 11%. Share markets in Europe, while significantly up on the March lows, are in some cases still down on the year, with the Brexit travails remaining an ongoing concern for investors in UK markets. Likewise, shares in sectors that were hit hardest by the lockdowns, for instance travel and entertainment, have suffered tremendously.

New Zealand fixed interest³ delivered returns of almost 5%, while Global fixed interest⁴ markets were up more than 5% for the year as corporate bond prices recovered from the March lows and government bond prices moved higher.

After a traumatic year for so many, members that have stayed the course with their investments should feel reasonably pleased with the level of returns. For the year of 2020, before fees⁵ Conservative delivered a return of 9.2%, while Balanced delivered 10.4% and Growth returned 11.1%.

1 Measured by the S&P/NZX 50 Gross Index

2 Measured by the MSCI ACWI Index NZDH - Net

3 Measured by the Bloomberg NZBond Composite 0+ Yr

4 Measure by the Bloomberg Barclays Global Aggregate Bond Index NZDH

5 After fees Conservative delivered 8.5%, Balanced delivered 9.6% and Growth delivered 10.3%

The distribution of vaccines is likely to make 2021 a year of global economic recovery. While markets have priced in a fair amount of the good news, more gains seem possible as corporate profits rebound, and central banks maintain accommodative monetary policies. With the world in the early post-recession recovery phase of the business cycle, the medium-term outlook for economies and corporate earnings is positive. We believe 2021 will feature an extended period of low-inflation, low-interest-rate growth that favours growth assets such as shares over defensive assets such as fixed interest securities.

However, there are some significant near-term risks. Investors may have become overly optimistic on shares and the global economy more broadly following recent vaccine announcements. This makes markets more vulnerable to negative news, which could take the form of a resurgence in COVID-19, significantly weaker than expected economic growth and corporate earnings or a return of high inflation.

The benefits of holding globally diversified portfolios were clear in 2020 given the wide range in returns from different sectors, countries, and asset classes. Investing in assets around the world remains a key investment strategy for the various member options, with assets spread across global and domestic fixed interest securities and shares.

Important information

The information contained in this publication was prepared by Russell Investment Group Limited. It has been compiled from sources considered to be reliable, but is not guaranteed. This publication provides general information only and should not be relied upon in making an investment decision. Before making an investment decision, you need to consider whether this information is appropriate to your objectives, financial situation and needs. All investments are subject to risks. Past performance is not a reliable indicator of future performance.

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To the Members of the Cook Islands National Superannuation Fund

Opinion	<p>The summary financial statements of the Cook Islands National Superannuation Fund (the 'Fund'), which comprise the summary statement of net assets as at 31 December 2020, 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 2020.</p> <p>In our opinion, the accompanying summary financial statements, on pages 35 to 36, are consistent, in all material respects, with the audited financial statements, in accordance with FRS-43: Summary Financial Statements issued by the New Zealand Accounting Standards Board.</p>
Summary financial statements	<p>The summary financial statements do not contain all the disclosures required by New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report.</p>
The audited financial statements and our report thereon	<p>We expressed an unmodified audit opinion on the audited financial statements in our report dated 4 June 2021.</p>
Other information	<p>The trustees are responsible on behalf of the Fund for the other information. The other information comprises the information in the Annual Report that accompanies the summary financial statements and the audit report.</p> <p>Our opinion on the summary financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.</p> <p>Our responsibility is to read the other information and consider whether it is materially inconsistent with the summary financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.</p>
Trustees' responsibilities for the summary financial statements	<p>The trustees are responsible on behalf of the Fund for the preparation of the summary financial statements in accordance with FRS-43: Summary Financial Statements.</p>
Auditor's responsibilities	<p>Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (New Zealand) 810 (Revised): Engagements to Report on Summary Financial Statements ('ISA (NZ) 810').</p> <p>Other than in our capacity as auditor and the provision of taxation advice, we have no relationship with or interests in the Fund. These services have not impaired our independence as auditor of the Fund.</p>
Restriction on use	<p>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 our audit report, for this report, or for the opinions we have formed.</p>

Auckland, New Zealand
16 July 2021

This audit report relates to the summary financial statements of the Cook Islands National Superannuation Fund (the 'Fund') for the year ended 31 December 2020 included on the Fund's website. The Trustees are responsible for the maintenance and integrity of the Fund's website. We have not been engaged to report on the integrity of the Fund's website. We accept no responsibility for any changes that may have occurred to the summary financial statements since they were initially presented on the website. The audit report refers only to the summary financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these summary financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the summary financial statements and related audit report dated 16 July 2021 to confirm the information included in the summary financial statements presented on this website.

SUMMARY FINANCIAL ACCOUNTS

For the year ended 31 December 2020

	2020 NZ \$	2019 NZ \$
Summary Statement of Changes in Net Assets		
Net Investment Gain	15,667,056	19,614,772
Plus: Other Income	121,199	474,073
Less: Other Expenses	(2,632,861)	(2,065,608)
Surplus Before Taxation and Membership Activities	13,155,394	18,023,237
Income Tax Expense	(46,999)	(57,131)
Surplus After Taxation and Before Membership Activities	13,108,395	17,966,106
Membership Activities		
Member Contributions	5,267,729	8,662,246
Member Voluntary Contributions	396,437	451,280
Contributions Yet To Be Allocated	555,845	581,359
Employer Contributions	5,233,099	8,662,083
Total Contributions	11,453,109	18,356,968
Less: Benefits Paid	(4,305,405)	(5,155,893)
Net Membership Activities	7,147,704	13,201,075
Increase in Net Assets During The Year	20,256,099	31,167,181
Summary Statement of Net Assets		
Assets		
Financial Assets - At Fair Value Through Profit or Loss	201,711,562	183,533,562
Other Assets	11,318,694	5,786,388
Total Assets	213,030,256	189,319,950
Less: Total Liabilities	(4,782,064)	(1,327,857)
Net Assets Available For Benefits	208,248,192	187,992,093
Vested Benefits	205,938,789	185,670,555
Summary Statement of Cash Flows		
Net Cash Flows from Operating Activities	9,062,475	11,387,764
Net Cash Flows from Investing Activities	(3,087,527)	(10,967,370)
Net Increase in Cash Held	5,974,948	420,394
Cash at Beginning of Year	3,546,658	3,126,264
Cash At End of Year	9,521,606	3,546,658

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

For the year ended 31 December 2020

A summary of the Fund's audited financial statements for the year ended 31 December 2020 which were authorised for issue by Public Trust (the "Trustee") on 4 June 2021 is shown on page 35. The summary financial statements have been extracted from the full financial statements for the year ended 31 December 2020 which were authorised for issue by the Trustee on 4 June 2021. The auditor issued an unmodified audit report on the full financial statements dated 4 June 2021.

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 general 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. The summary financial statements have been reported at a total level. A copy of the full financial statements can be obtained, free of charge, from the Cook Islands Office located on the ground floor of the ANZ Building, Avarua, 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 35.

Subsequent Events

The COVID-19 (Cook Islands National Superannuation) Act 2021 came into force on 1 April 2021. It allows for employers and employees to contribute to the Fund at the rate of 1% of the employees' earnings although employers and employees can still opt to make contributions up to 5%. The Act ceases to apply at the close of 30 June 2021 although an Order in Executive Council may extend the application of this Act to no later than 30 September 2021.

The Trust Deed was amended with effect from 1 April 2021. The amendment enables pensioners suffering a terminal illness to withdraw the Pension Account balance. Members with a Compulsory Account balance between \$15,000 and \$45,000 may withdraw the Compulsory Account balance or receive a pension. Pensioners may withdraw the Pension Account balance if this was less than \$45,000 at the time they became a pensioner.

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