

# SEAFARERS RETIREMENT NEWS

# THE SUN SHINES ON

# KIWISAVERS

## AFTER 2 YEARS OF STORMY WEATHER THE GOOD SHIP SRF SAILS INTO CALMER WATERS



**23.10%**  
KiwiSaver

**16.41%**  
Market

**2.2%**  
Conservative

2009/10

Annual Report of the Seafarers Retirement Fund and SRF KiwiSaver Scheme

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## Last Year's Headlines

**Reversed**

**The Worst Economic Conditions Since 1930**

**Bank Bailou**

**Chrysler in Crisis**

**Bank gets slice of Blue Chip Finance Company enters scheme of Arrangement**

**Negative returns for sixth consecutive quarter**

**Wall Street Meltdown**

**AIG gets AID**

**Market follows Wall Street up** **New Zealand Sharemarket breaks the 3000 barrier** **Blue Chips boost sharemarket** **Shares Go Skyward** **Postie Plus sales up by 15pc** **Record Earnings for Ryman Healthcare** **Onward & Upward for Investors**

# What a Difference a Year Makes

## Chairman's Report

What a difference a year makes. The Seafarers Retirement Fund has gone from two loss-making years for the KiwiSaver and Market funds to returns of 23.10% and 16.41% respectively for the current year. The rebound has been quick, large and surprising. What's more, it does not look like it will be reclaimed in the future. While the Conservative Fund had far less risk to members' returns, it also only achieved a very modest return of 2.2% for the year.

### Investment returns

The investment returns started improving in April 2009, the first month of this year, and have continued for the balance of the year. Investment manager pre-tax returns were mainly driven by AXA-managed overseas equities returning 19.6%, Australasian equity returns of 29.2% from AMPCI and 30.7% from Colonial, and international bond returns of 15.7% from AXA. We had other returns of 4.2% from our property, 7.0% from AMPCI's New Zealand bonds, and cash returned 4.1%.

The only manager not to achieve their investment benchmark as stated in the Statement of Investment Policies and Objectives over the three preceding years was AXA on International Bonds and they missed their target by 1.9% p.a. as did most other managers in this sector.

The simple reason for the large returns was that, once again, the financial markets had re-evaluated risk and decided that it had marked some assets down too far, for the risk associated with them, so reacted by increasing asset values. This does not mean that we have totally emerged from the previous market chaos, as no doubt further issues will continue to be exposed and have to be dealt with, such as the European Community sovereign debt problems in countries like Greece, Portugal, Spain and Italy.

### The world economy

Over the last year, we have seen European and the US government bail out banks, other financial institutions, and very large and important companies, to protect the integrity of the financial system and ensure the survival of major companies. Governments have introduced major economic stimulus packages into their economies to stop them plunging into

a major recession. These Government measures have largely stopped now as the immediate threat of deflation, or asset values dropping uncontrollably, has now receded. The world economy may also be seeing a secondary stage, that is the transfer of company debt from large companies who availed themselves of government handouts to governments who have to finance these along with their previous and new borrowings. The financial world is asking the question, is this sustainable?

We also have a number on mini crises going

money being spent than it takes in. In New Zealand, this is being addressed by reducing government spending, and increasing revenue through a rise in GST, as well as a slowing down of increases in spending in such areas as health, education and welfare.

The New Zealand impact has been negative followed by low economic growth, reduced demand for our exports, increasing unemployment as well as government deficits that will be reduced over time.

Over the next 12 months, economic growth is expected to be between 3% and

thinking about changing to the SRF KiwiSaver Scheme as it is significantly cheaper than most other schemes and you get regular reports at Union meetings on how it is going. If you want to do this, contact your union representative and they will be able to provide you with the necessary paperwork. It is actually quite straightforward.

### Conservative Investment Option

At the start of the year, I wrote to all members giving them an option to change to a conservative investment. As a result of this, 50 members changed over,

transferring \$6,894,000. The returns have been in line with the expectations I outlined at the time. That is, 2.2% for the year, similar to the cash rate. This option was set up at the request of members who were approaching retirement and wanted more certainty with their leaving benefit and a lower risk strategy. The average age of those transferring was 64, one year from their possible retirement age.

### Trustees' Role and Actions over the Year

During the year, the trustees had six meetings, where they had all of the investment managers come to make presentations about investment returns and the economic outlook. The trustees also dealt with member queries, hardship grants and taxation returns, updating the prospectus and Investment Statement and other legislative requirements. Our investment advisors and

administration managers Aon were also in attendance at these meetings to provide technical advice, and answer any queries in their respective areas.

The Statements of Investment Policies and Objectives (SIPOs) were also updated for KiwiSaver, Market and Conservative investment options. All of the investment managers agreed to the updated versions. The SIPOs provide a framework for risk analysis against expected returns, and for measuring manager performance.

With the SRF's property's lease running out at the end of this year, trustees have been working at renewing it. However, should this not happen, then we will be looking to find a replacement tenant.

We welcomed Joe Fleetwood as a new trustee during the year. However, due to a new

*Continued over >>*



A typical trustees' meeting can be both intense and hard work for those involved.

on, such as a banking crisis in Iceland, and the government debt crisis within the eurozone in countries like Greece, Portugal, Italy and Spain. This is where government spending is causing large budget deficits and needs to be cut back to ensure financial stability, and avoid high debt levels and further interest rate increases.

China and most of the rest of Asia have come out of the crisis quickly and were left relatively unscathed by it. However, the United States and Europe are still struggling to emerge and it may take some time.

### New Zealand Economy

In New Zealand, we have seen the Government provide guarantees for retail bank deposits and interbank lending. This provision has now ended. Like most governments, an issue that requires tackling is the deficit in its accounts, more

4% worldwide and this should provide a reasonable base for the Seafarers Retirement Fund to make reasonable returns.

### SRF KiwiSaver Scheme

This is the first full year of the SRF KiwiSaver Scheme. While membership has not grown significantly, from the 11 at the start of the year to 22 at the close, it is pleasing to see progress made.

For those who are not members of KiwiSaver, it is worth noting that you get:

- A \$1000 joining grant
- Exemption from tax for the employers' 2% contributions
- An annual tax credit of up to \$1042.

All of the above benefits significantly enhance member returns.

For others who have joined another KiwiSaver provider's scheme, it is worth

1-year SRF KiwiSaver Performance

**23.10%**

1-year Market Investment Performance

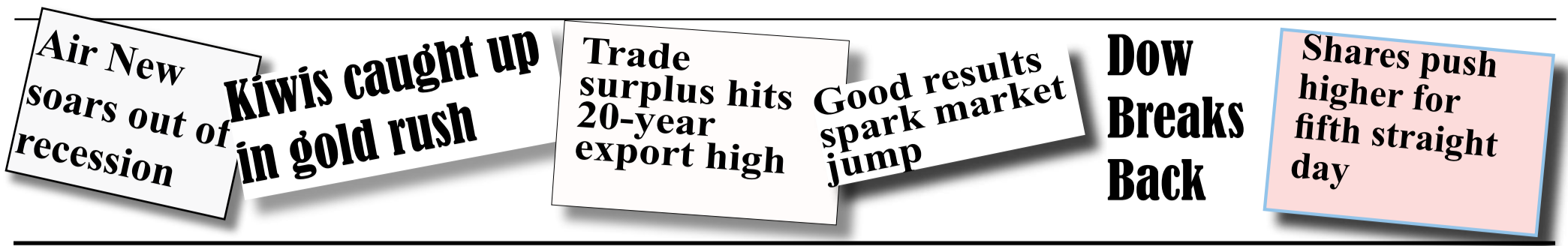
**16.41%**

1-year Conservative Fund Performance

**2.2%**

Property Performance 1 year

**4.2%**



# The SRF's **S I P O**

SIPO is short for **S**tatement of **I**vestment **P**olicy and **O**bjectives

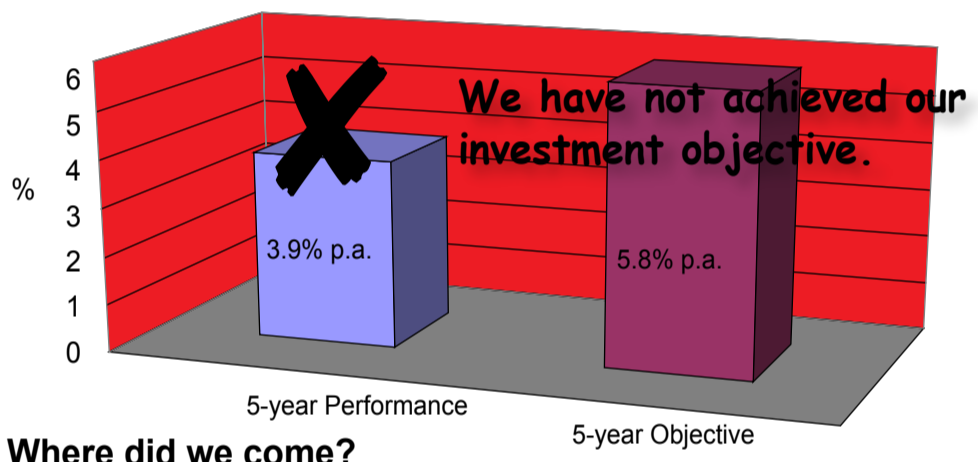
## How Did Market Fund Do?

According to our Market Fund SIPO, our investment objective is to achieve a return, net of fees and tax, exceeding the rate of inflation (CPI) by 3% per annum over five years.

Over the last five years, the CPI has increased an average of 2.8% per annum

The five-year objective is 2.8 % + 3% = 5.8% per annum.

The five-year performance has been 3.9% per annum.



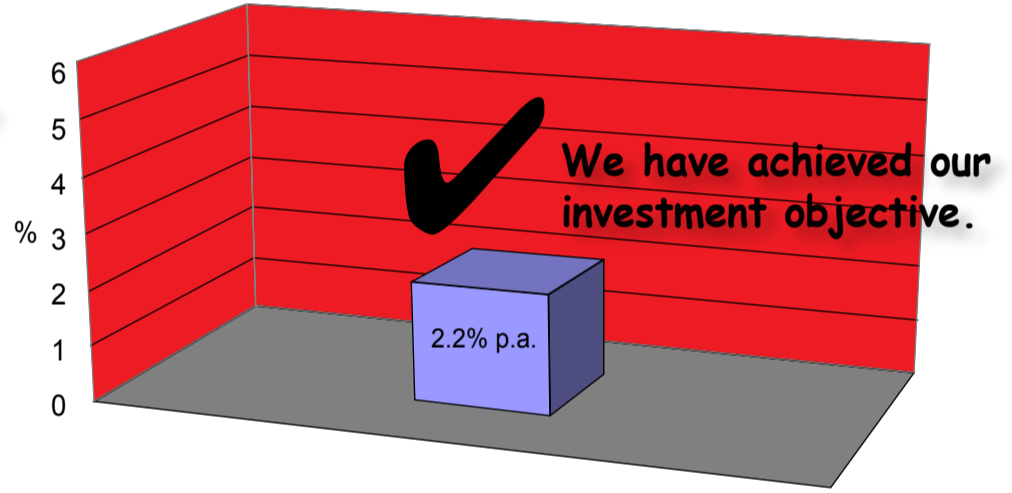
### Where did we come?

Whilst we did not achieve our objective, our performance of 3.9% p.a. over 5 years was substantially better than the average performance of the managers surveyed by Aon, which was 3.3%.

## How about Conservative Fund?

The SIPO for the Conservative Fund states that the investment objective is:

... that the Fund will not suffer a negative return on investments over a one-year timeframe, except in exceptional circumstances.



Note. The performance vs objective reports above do not include the SRF KiwiSaver Scheme as it has not yet been going for 5 years.

## What a Difference a Year Makes Continued from page 2

position in the Union, Joe had to resign late in the year and was replaced by Mike Clark.

One issue that the trustees are trying to tackle is that of unallocated member contributions, where a union member joins a new employer and does not complete the documentation to join the SRF. Meanwhile, the company makes employer and employee deductions. In these circumstances, we cannot allocate these contributions to the member. We have been following this up at every meeting. However, more work will have to be done on this issue in the current year.

A website was created for the SRF during the year as part of the Maritime Union website and it contains such things as member forms, legal documents, old annual reports and the current SIPOs. It can be

found by following the link on the Maritime Union website to the SRF. The full web address is <http://www.munz.org.nz/about-2/superannuation/seafarers-retirement-fund/>

The trustees put in a great deal of behind-the-scenes work to ensure the smooth running of the SRF, in the ever-changing legal and investment environment in which we operate.

**Investment outlook for 2011**

I would expect the returns for the SRF this year to be modest with investment gains relatively small as the investment world climbs out of the hole, the global financial crisis, it found itself in a year ago with issues such as sovereign debt in countries like Greece and maybe Portugal, Italy and Spain needing to still be addressed.

Meanwhile, Asia, China and India, will continue to boom ahead. There will continue to be a question mark over the financial recovery in the United States, the United Kingdom, Japan and the eurozone.

In New Zealand, we expect to have a gradual economic recovery with some major changes in economic direction and taxes signalled in the latest Budget. One of the biggest is the reduction of tax on superannuation portfolio investment entities (PIEs) reduced to 28% from 30%. After taking all of the above into account, I would expect the SRF to produce returns of five to six percent next year.

**Acknowledgements**

The SRF has many contributors who make it successful. These include Ashley Goss, John Hammond, Bernie Higgins, Rowena Cayetano and Cheryl Styles, all from Aon.

Special thanks to all of our investment managers who have had some difficult times to deal with: Alan Gilbert from ASB, Bevan Graham from AXA, and Rebekah Swan from AMPCI.

Finally, a special thank-you to all my fellow trustees, Andro Besich, Mike Clark, John Jeffery, David McPherson and Garry Parsloe. They have put in large amounts of unseen work to achieve results they can be justifiably proud of for the past year.

**David Scott**

Australasian Equity return from Colonial, p.a. gross



Australasian Equity return from AMPCI, p.a. gross



Overseas Equity return from AXA, p.a. gross



International Bond return from AXA, p.a. gross



**Big jump in firms' confidence** **Oz Shares keep rising**

**Fast foods kick off good day on market**

**Recovery nudges oil to US\$69**

**Investors shrug off nervousness**

**Positive Mood Fires Rally**

# An Exceptional Year

*Colonial First State report on just that, an exceptional year, for Australasian equities*

## Colonial First State

The year has been an exceptional one in terms of the changing fortunes of the global economy and capital markets. Fears of a second Great Depression in the opening months of the year have given way to signs of an economic recovery, thanks to ongoing unprecedented policy stimulus.

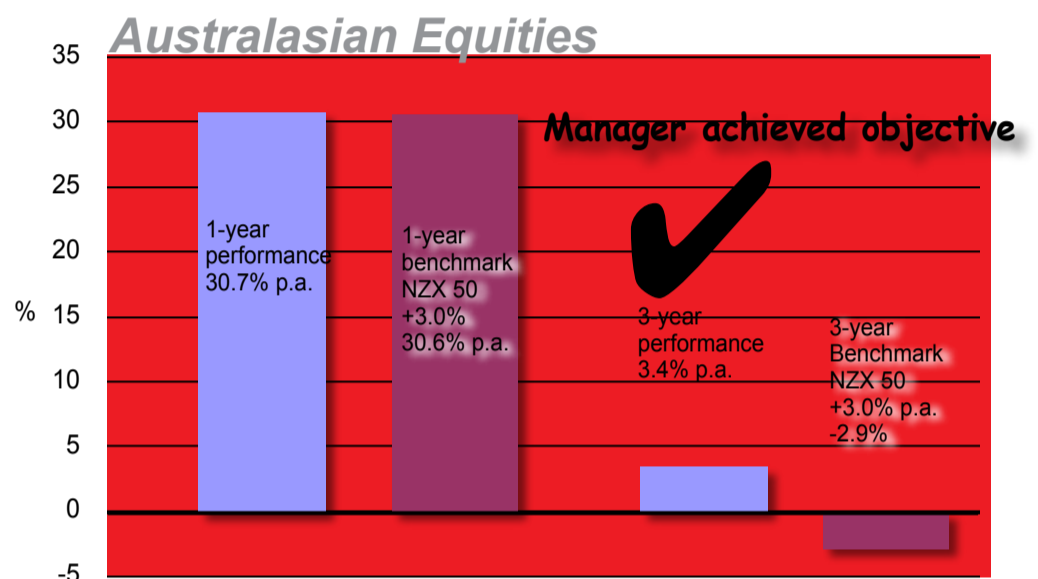
Investors have been encouraged by this brighter outlook, with a revival in risk appetite allowing sharemarkets to recover significantly from the lows experienced in March 2009. Improving and better-than-expected economic data releases throughout the March quarter were reassuring for investors. The prospects for the global economy in 2010 have been continuously revised upwards, thanks to boosts from policy stimulus, inventory rebuilding and a recovery in world trade.

The last year has been extremely good for Australasian share investors with returns being 42% for the Australian market and 26% for the NZ market. 2010 could prove to be slightly more challenging. The markets will have to contend with higher interest rates, which have been rising in Australia and are expected to rise by mid-year in New Zealand. Also, companies will need to beat rising expectations for profit growth in order for stock gains to continue.

The Australasian Shares Fund has delivered very pleasing results over one- and three-year periods, returning 30.7% over 1 year and 3.4% over 3 years. The Fund's focus recently has been shifting exposures in the industrial sector with the addition of Mainfreight and Orica, at the expense of Incitec Pivot. Signs of growth in the NZ economy are expected to lead to continued gains in transport volumes, assisting Mainfreight's outlook. Orica should benefit from large mining investment work due to be undertaken. Incitec Pivot was exited following recent share price gains that brought shares to fair value.

Longer term, a recovering Australasian economy benefiting from the ongoing global demand for commodities, improved corporate balance sheets, and success in cost containment should prove to be a boon for the share markets. When the recovery

becomes more entrenched, policy stimulus will eventually need to be withdrawn and be replaced with private-sector demand from households and companies.



# Impressive Economic Recovery

*AMP Capital Investors report on a new theme for the year*

The theme of the past year has been one of impressive economic recovery. As a result, there is generally a greater appetite for risk amongst investors. In this environment, shares and global property have soared, while the more defensive asset classes, fixed interest and cash, have waned. The weaker returns for bonds and cash are to be expected in such a low interest rate environment globally.



April 2009, the RBNZ left the OCR at its record low of 2.5% over the year as the economic recovery remained fragile. This meant that returns from cash were fairly low at 2.92% as measured by the ANZ NZ 90-day Bank Bill Gross Return Index.

Looking ahead over the next year, we are fairly unimpressed with the return potential on cash as we don't expect the

RBNZ to start raising rates until at least the second half of the year.

### Fixed interest

Returns from fixed interest investments (such as government stock and corporate bonds) are a combination of interest income and capital gains or losses as market yields fall (generating gains) or rise (generating losses).

Fixed interest returns from the government sector were also modest for the year. While interest rates stayed at generally

low levels, the improving risk appetite put upward pressure on bond yields. In the key US market, the 10-year bond yield rose 116 bps over the year to 3.83%, while the UK rate was up 77 bps to 3.94%. In New Zealand, the 10-year bond yield ended the year 71 bps higher at 5.98%.

### New Zealand shares

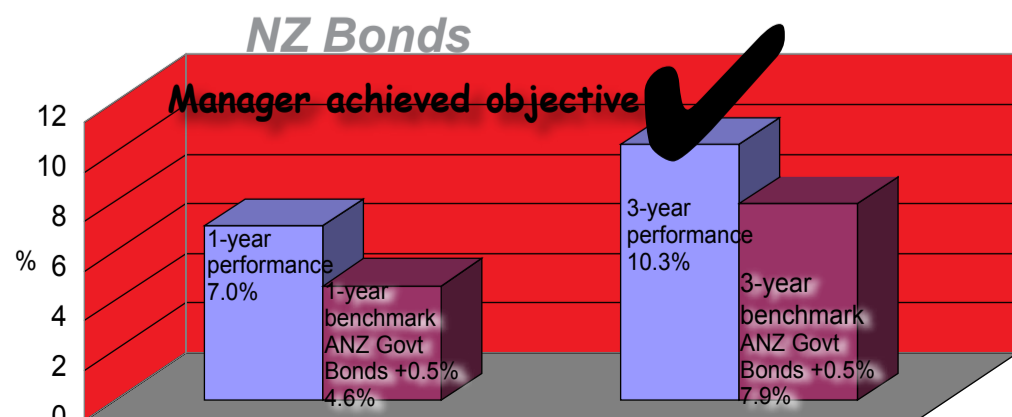
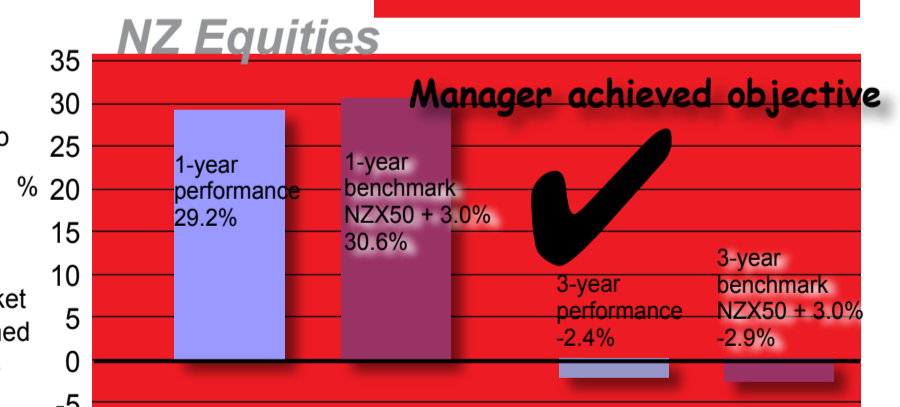
In line with the higher investor confidence, New Zealand shares performed well.

The NZX 50 returned a strong 27.6% over the year (NZX Portfolio Index up 31.7%). However, our New Zealand market underperformed global shares due to its low 'beta' nature

in this investment cycle. A low beta status means that the New Zealand market tends to outperform global markets during sell-offs and underperforms during rallies.

New Zealand shares remain good value relative to cash and bonds. Furthermore, their earnings are at the beginning of an upswing from a depressed level. However, they are likely to lag any positive trend in global shares. By the same token, they would perform relatively better should global shares suffer a bout of weakness.

**Higher Investor Confidence is Evident**



**Shares & Global Property Soar**

**NZ Super Fund posts nearly 18pc return**

**Nephew's advice earns aunt \$1m**

**Russian billionaires bounce back from global crisis**

**Wall St returns to bonus payouts**

**Aust news pushes shares skyward**

**Goldmans back in black**

## Strong Rally from Cyclical Low



redefining / standards

AXA Global Investors tell it how it was in the year to March 2010

### International Equities

After reaching a cyclical low in early March 2009, equity markets rallied strongly in the year to March 2010. This was in response to, initially, an unfreezing of credit markets, followed by signs of a subdued and fragile economic recovery. As the year progressed, economic signals have largely been positive, although concerns have lingered about the strength and sustainability of the recovery.

An element of renewed risk aversion appeared in early 2010 as China, the major growth engine in the economic recovery, moved to tighten credit conditions. In our view, a tightening in China, while likely to slow economic growth, will be positive for the long-term sustainability of the global economic recovery.

Strong international equity market returns in New Zealand dollar terms have been offset to some extent by the continued strength of the NZD. We believe the NZD remains overvalued against a number

of major currencies including the United States dollar and the euro. We also believe that a return to fair value can be expected in the medium term.

Looking forward, we believe the outlook for international equities remains positive, although returns are moving to a lower trajectory. We believe the economic recovery is becoming entrenched in some countries such as the United States, but not so in Europe where there are still some concerns.

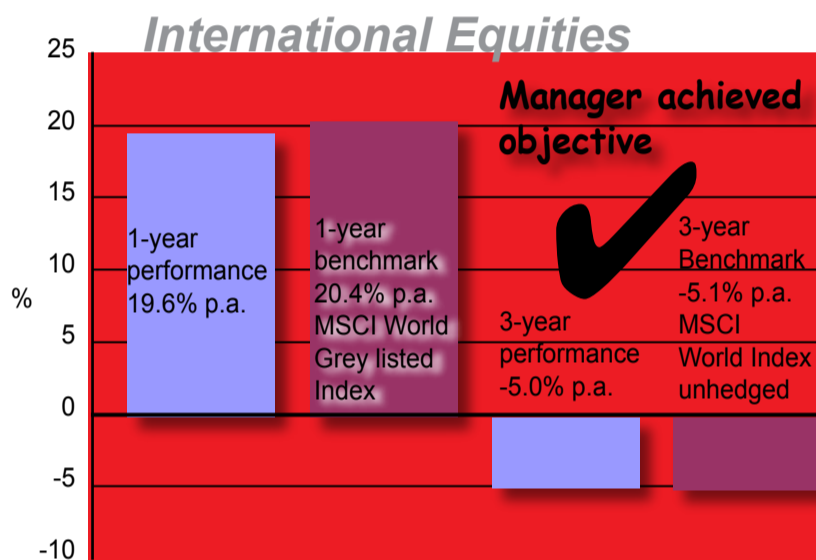
### International Bonds

Returns from international bonds were strong in the year to March 2010, offsetting poor performance in the previous year. The strongest driver of returns was a contraction in credit spreads that had increased to historical highs during 2008. At the same time, the subdued nature of the global recovery and significant spare capacity in the global economy is keeping inflation pressures, and fears, at bay.

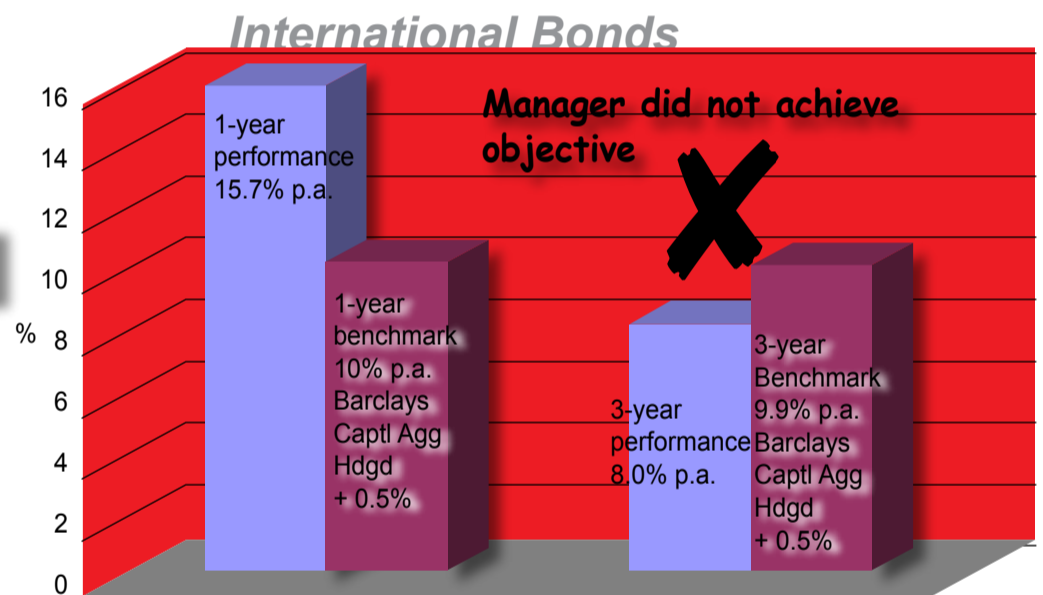
In early 2010, fears started to grow about the size of public debt in a number of countries, most notably Greece but also broader Europe. Fiscal consolidation and getting public debt under control will be the theme for 2010. At some point, as the

economic recovery continues to gather momentum, inflationary fears will start to emerge. Both of these factors will keep returns in this asset class subdued in the period ahead.

Returns from international bonds were strong



Equity markets rallied strongly



## Property Investment Shows Return of 4.2 percent

Four years ago, the Seafarers Retirement Fund purchased a property occupied by the international cosmetics company Estée Lauder. It is situated at 26 Vestey Drive in Mt Wellington, just north of Auckland International Airport. The location has become a focus for sustained investment by a number of institutional investors, most notably listed property fund *Property for Industry*.

The reason for the purchase was that, at the time, we wanted some direct exposure to property as an investment category.

The property's area is 50% office and 50% warehouse, and it is situated in an area serviced by excellent

transport links and is surrounded by other high-class developments to branded tenants with an extremely low vacancy rate.

The lease to Estée Lauder is due to finish in December 2010 and the trustees have been in discussions with Estée Lauder about renewing

the lease. These are ongoing. Should they decide not to renew, there is a plan to market the building in pursuit of a new tenant.

The property has a current market value of \$3,175,000 and when a tenant is confirmed after December, this may increase the valuation

of the property. Taking into account the change in value and the rental income, the property's return for the year was 4.2%.

The trustees are more than happy with the direction that the Fund's property investment is going.



Wall Street  
Bounces

Jobless  
Numbers  
down

Japan Shored  
up by Asian  
Demand

Consumers  
Increase  
Spending

NZX50 rises  
after overseas  
gains

## Audit report



### To the members of SRF KiwiSaver Scheme

We have audited the summary financial statements of the SRF KiwiSaver Scheme for the period ended 31 March 2010 as set out on this page 6.

### Responsibilities of the Trustees and Auditors

The Trustees are responsible for the preparation of summary financial statements in accordance with generally accepted accounting practice in New Zealand. It is our responsibility to express to you an independent opinion on the summary financial statements presented by the Trustees.

### Basis of Opinion

Our audit was conducted in accordance with New Zealand Auditing Standards and involved carrying out procedures to ensure the summary financial statements are consistent with the full financial statements on which the summary financial statements are based. We also evaluated the overall adequacy of the presentation of information in the summary financial statements against the requirements of FRS-43: Summary Financial Statements.

Our firm has also provided taxation services to the scheme. This has not impaired our independence as auditors of the scheme. The firm has no other relationship with, or interest in, the scheme.

### Unqualified Opinion

In our opinion:

- the summary financial statements have been correctly extracted from the full financial statements; and
- the information reported in the summary accounts complies with FRS-43: Summary Financial Statements and is consistent in all material respects with the full financial statements from which it is derived and upon which we expressed an unqualified audit opinion in our report to members dated 25 June 2010.

We completed our work for the purposes of this report on 25 June 2010.

*KING*

Auckland

CENTRE-SPREAD  
CONTENT UNSUITED  
TO THIS FORMAT:  
SEE PAGE 13

## Trustees' Certificate



The Trustees of the SRF KiwiSaver Scheme:

- Certify that contributions received in respect of each member, including contributions paid via Inland Revenue in respect of each member, have been applied in accordance with the terms of the Trust Deed.
- Certify that they have applied any fee subsidy received in respect of members in accordance with prescribed requirements.
- Certify that the Scheme provider agreement between the Commissioner of Inland Revenue and the Scheme provider remains in force.
- Certify that all benefits required to be paid from the Scheme in accordance with the terms of the Trust Deed have been paid.
- Certify that the market value of the assets of the Scheme as at 31 March 2010 exceeded the total value of benefits that would have been payable had all members of the Scheme ceased to be members at that date and provision been made for the continued payment of all benefits to members and other beneficiaries as at 31 March 2010.
- Certify that SRF KiwiSaver Scheme prospectus #3 was registered on 10 September 2009.
- Certify that the increase in the administration fee on 1 September 2009 to \$5.09 per member per month (previously \$5) is not unreasonable having regard to the KiwiSaver Act and any guidelines published by the Government Actuary.
- Certify that there were no trust deed amendments.

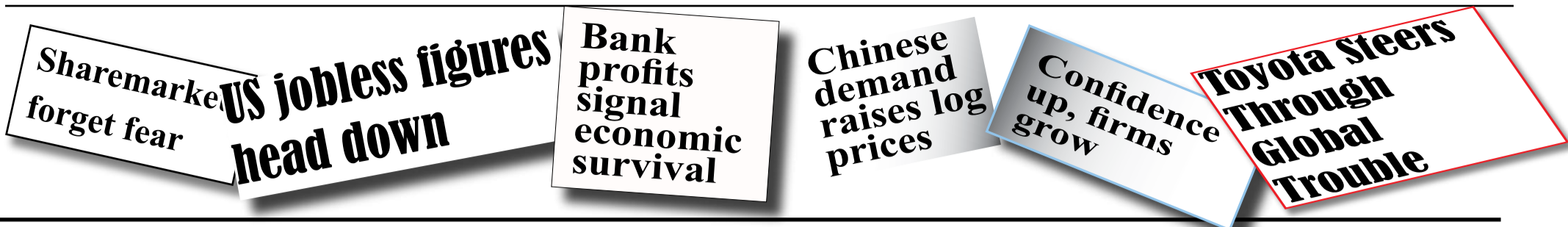
*Chairman*

Chairman of Trustees

*Trustee*

Trustee

The summary financial statements were authorised for issue on 25 June 2010



CENTRE-SPREAD  
CONTENT UNSUITED  
TO THIS FORMAT:  
SEE PAGE 13

## Audit report

**Seafarers Retirement Fund**

### To the members of Seafarers Retirement Fund

We have audited the summary financial statements of Seafarers Retirement Fund for the year ended 31 March 2010 as set out on this page 7.

#### Responsibilities of the Trustees and Auditors

The Trustees are responsible for the preparation of summary financial statements in accordance with generally accepted accounting practice in New Zealand. It is our responsibility to express to you an independent opinion on the summary financial statements presented by the Trustees.

#### Basis of Opinion

Our audit was conducted in accordance with New Zealand Auditing Standards and involved carrying out procedures to ensure the summary financial statements are consistent with the full financial statements on which the summary financial statements are based. We also evaluated the overall adequacy of the presentation of information in the summary financial statements against the requirements of Financial Reporting Standards (FRS) - 43: Summary Financial Statements.

Our firm has also provided taxation services to the fund. This has not impaired our independence as auditors of the fund. The firm has no other relationship with, or interest in, the Fund.

#### Unqualified Opinion

In our opinion:

- the summary financial statements have been correctly extracted from the full financial statements; and
- the information reported in the summary financial statements complies with FRS-43: Summary Financial Statements and is consistent in all material respects with the full financial statements from which it is derived and upon which we expressed an unqualified audit opinion in our report to members dated 25 June 2010.

We completed our work for the purposes of this report on 25 June 2010.

Auckland

## Trustees' Certificate

**Seafarers Retirement Fund**

The Trustees of the Fund certify that:

- All contributions required to be made to the Fund from the employers and from members in accordance with the terms of the Trust Deed were made.
- All benefits that were required to be paid from the Fund in accordance with the terms of the Trust Deed have been paid.
- Any benefits that have remained unclaimed for more than 7 years (e.g. because members were unable to be traced) have been transferred to the Reserve Account.
- The market value of the assets of the Fund as at 31 March 2010 exceeded the total value of the benefits that would have been payable had all the members of the Fund ceased to be members at that date.
- Seafarers Retirement Fund prospectus #12 was registered on 10 September 2009.

Chairman of Trustees

Trustee

The summary financial statements were authorised for issue on 25 June 2010

## Trust Deed Amendment

**Seafarers Retirement Fund**

The Trust Deed of the Seafarers Retirement Fund was amended in April 2009.

The amended Trust Deed now states that the vesting scale starts after 3 years' membership of the Fund. Previously, it was 5 years.

**Dow up  
2% in a  
day**

**Global sharemarkets  
pick up**

**Telecom,  
Fletcher  
bolster  
sharemarket**

**Shares  
climb  
despite  
Telecom  
slide**

**Treats in  
store for  
shareholders**

**Confidence  
up as firms  
plan to grow**

## What the Trustees say

*As in previous years, the opinions of individual trustees have been sought as highly valued and honest assessments of how the Fund is doing. Here are their thoughts.*

### Andro Besich

The financial crisis that set the SRF back two years in a row was the worst the world has seen since the 1930s. But as the world returns to its previous path of steady progress, it has taken the SRF with it. This year's excellent result comes from holding our investment strategy and not panicking, but sticking to the professionally executed investment strategies that were in place. The SRF is in good heart and I have every confidence that it is in a position to take advantage of the economic growth the world is enjoying.



### John Jeffery

Last year's below-average result did not dent my faith in the SRF because I knew our underlying investment philosophy was the right one. This year's 16.41% bounce-back result for the market fund is vindication of that. Predictably, our investment assets recovered the value they lost last year. As some of us head toward retirement age, we are thankful for a long-term investment strategy that deals with the ups and downs of equity markets.



### Garry Parsloe

Of all the working and social conditions gained by New Zealand Seafarers over the years, the Fund (SRF) stands head and shoulders above the rest. The Fund has served both its members and the Maritime Industry well.

My long association with the SRF has given me a good insight into the importance of the Fund to all of us.



As a concept, the SRF has successfully given us the structure and discipline to systematically put savings away for a better, more fulfilling retirement. Those savings have been well invested and grown. I am very proud to be part of the team who have managed the Fund so well over many years.

With the absolute need to save for retirement, the Seafarers Retirement Fund is the best of all possible vehicles for this.

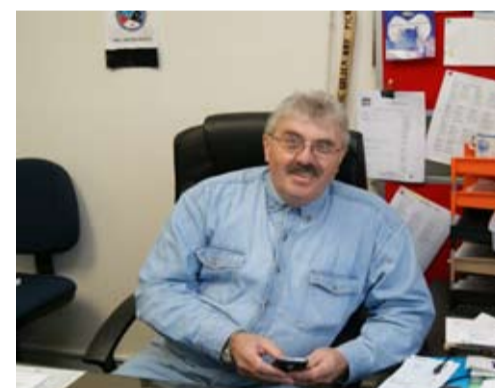
**Head and  
Shoulders Above  
the Rest**

**More Good  
Management  
than Good Luck**

### Mike Clark

As the newest trustee for the SRF, I am most impressed with the way our investments have rallied to yield returns over 16.41% for the year in question. Being closer to the action involving fellow trustees, investment managers, administrators and the like, I realise this result is more the result of good management than good luck. The financial

crisis had its effects on both values and profits, but our investments remain sound, because they were always sound. The 16.41% and 23.10% figures for the market fund and the KiwiSaver scheme respectively speak for themselves. Hopefully business conditions will improve even more and help our investments redeem yet more of the value lost over the crisis years.



### David McPherson

The Seafarers Retirement Fund is an investment vehicle whereby seafaring employees can contribute to a retirement fund and their employers in most cases will subsidise those contributions. It is intended that these benefits will be picked up at or after retirement so members can have a financially secure and comfortable retirement. I see my role as a trustee as making sure that this happens within the things that I have control over. It has been a very good year for returns, after last year, and it is interesting to see the pattern when you review the 21-year return graph, which shows that you get a few good years followed by a bad year or years.

I just hope that all the members who transferred to the conservative option at the

start of the year did it for the right reasons, because we are unable to predict market returns and they have locked themselves into low returns and low risk for the future.

Trustees have at times a hard role to perform. However I enjoy it, as every year there are challenges to be overcome and significant achievement to be made.



### David Scott

Investment returns this year are a manifestation of the market re-rating the risk involved. Maintaining our course with our investments, despite the shocks of the previous two years, has paid dividends. The 16.41% result regains the ground lost in those years. It is a normal investing pattern not readily understood by all and sundry. The KiwiSaver returns are the most exciting aspect of the fund at present. It returns what the market fund returns, and more!



**Wall Street Confidence  
Comeback Back**

**Markets  
Surge,  
Crisis  
Over**

**Economies  
Start  
expanding  
again**

**WTO  
forecasts  
global  
trade surge**

**Skyline  
Profit  
Back**

## David McPherson Resigns

A letter has been received from David McPherson saying that, due to serious ill health, he is resigning as a trustee. He has been a trustee for more than 11 years and will be missed for his valuable input into meetings, and into other trustees' decisions.

David was always well prepared for meetings. He had opinions and would always express them, while carefully listening to others' points of view. He could be relied upon to raise issues affecting members and had their best interests at heart at all times.

David always embraced change, which he saw plenty of in his time as a trustee, and would run with it.

He supported the concept of workplace superannuation and has been the recipient of it in the last few years. As chair, on behalf of all trustees, I would like to thank David for all of his support to fellow trustees, as well as his wit, humour and down-to-earth honesty. He will be missed as a trustee.

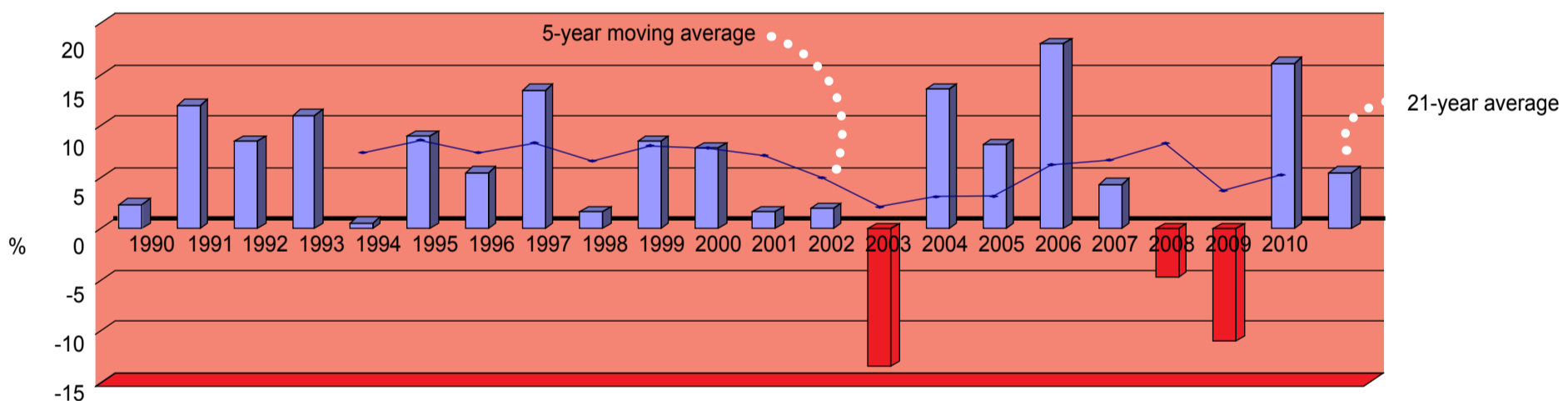
David Scott, Chairman



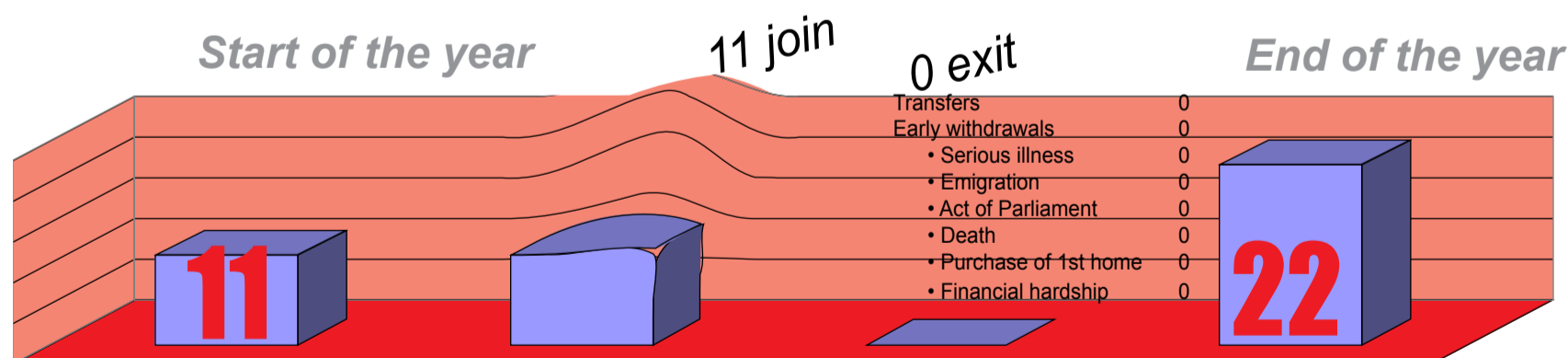
David McPherson

## The Last 21 Years in Profile

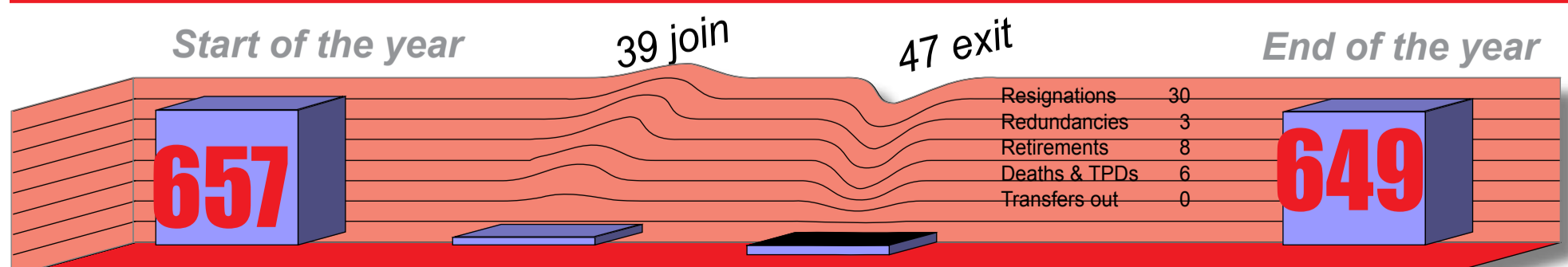
Returns credited to members' accounts from the Market Fund option



## SRF KiwiSaver Scheme Membership changes during the year



## Seafarers Retirement Fund Membership changes during the year



Wine company **Opus** makes big splash in China re-activates expansion plans  
 Steel prices set to soar  
 VW Accelerates  
 Nikkei breaks past 11,000 mark  
 China Fund Celebrates  
 Climate for flotation improves  
**Australian Rebound**

**W**hat has happened in Greece to cause the latest financial crisis to rock the world economy, and what solution has been offered by the European Community? Does it have some lessons that hopefully can be learned by New Zealand and other countries to ensure it won't happen again?

The economic problems of Greece have now become a problem for the other 15 countries that share the European Union's Currency, the euro. Last October, the newly-elected Greek Prime Minister announced that the previous Greek budget deficit figure of 3.7% of GDP was incorrect and that it should have been 12.5%. Under the EU rules, a country is supposed to keep deficits to within 3% of GDP. Concerns have been voiced over the 1992 design of the euro, where member countries surrendered their national currencies but not their political sovereignty. This enabled the Greeks and other eurozone countries to misreport their figures in order to recklessly expand their borrowings to meet local political demands. At present, thirteen of the 16 eurozone members have exceeded their budget guidelines.

Greece arrived in this financial mess by going on a massive borrowing spree. At the end of 2009, this country of 11 million people had debts of \$546 billion \*, or 115% of GDP. Without help, it would have had to default on those debts, causing major repercussions for the whole of the Greek economy. To give some indication of what debt of 100% of GDP means in New Zealand terms, funds would have had to be set aside in the latest budget to finance \$200 billion of debt. This would be in the same spending league as that on health or education. That's \$10 billion. Presently our actual loan servicing is about one third of this.

It is clear that, over a long period of time, successive Greek governments

have not taken any hard decisions. As a result, the economy has been rorted by many of its citizens. Greek businesses and citizens generally seem to have an aversion to paying tax. Newspapers there are full of reports of wealthy individuals being charged with tax evasion. There is a street of luxury houses in a premiere part of Athens whose residents are reputedly all wealthy, they reputedly all have swimming pools, but reputedly pay no tax between them. Urban myths or

decline in Greek international trade and significantly increased borrowing costs for Greek businesses and private individuals. The Greek government expected to borrow \$108 billion this year and if an aid package had not been forthcoming, it would have had to pay interest at 6.1%. This is around twice what Germany, deemed to be safest borrower in the eurozone, has to pay. This large amount of debt and increased interest cost could have meant that the debt was unsustainable and default was a highly

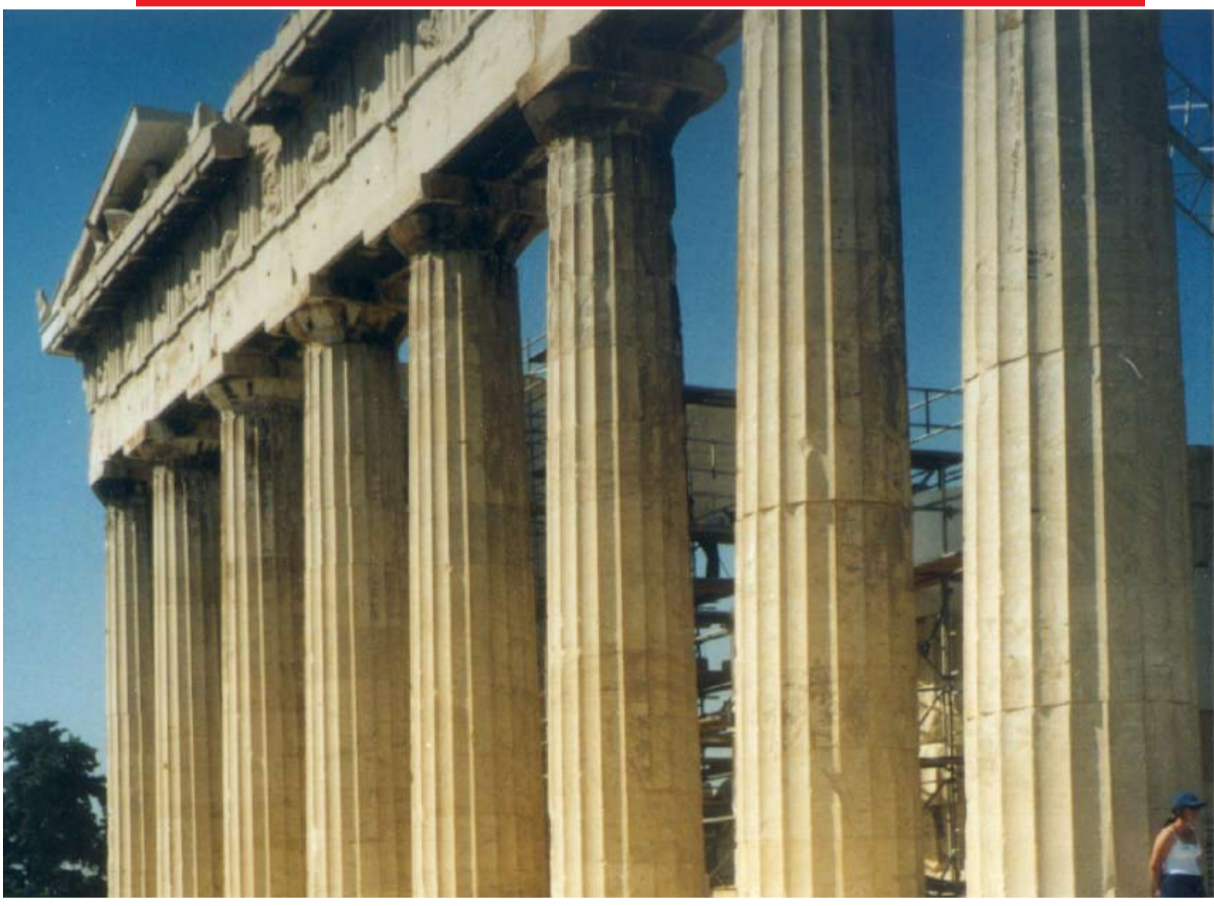
the pension, significant budget cuts and large cuts to civil servant numbers, wages, and employment conditions. This caused a great deal of political unpopularity and civil unrest. Which is hardly surprising, but it had to be done.

The European Central Bank also set up the European Stabilisation Mechanism which has funds of up to \$140 billion to be used, if required, to defend the euro against speculative attack. It also aims to increase confidence in the euro's management by shortening up the time for budget deficit reductions and punishing eurozone countries that breach guidelines on borrowings.

Along with this, a package of credit lines has been put in place by the European countries and the International Monetary Fund. It amounts to \$1.3 trillion to provide borrowing lines to member countries. There is also an undertaking from the European Central Bank to buy government bonds if need be to support liquidity in these markets. It equates to more than 70% of the outstanding sovereign debt of the so-called "PIGS" countries – Portugal, Ireland, Greece and Spain – and more than 10% of the government debt in the euro area as a whole. These moves have allowed the governments to seize back the initiative from the markets. However, it does not solve the underlying problem, which is that most developed countries have too much debt and have structural budget deficits that are unsustainable in the longer term. In 2007, the United States government debt was 62% of GDP. By 2011, it is expected to be 100%. In Britain it is expected to be 85%. In the eurozone as a whole, it is 88%. New Zealand looks much better at 28%.

The markets have sent out a clear message over this Greek debt crisis. It is that countries cannot have long-term unsustainable levels of debt. Governments need to heed this warning that they need to be fiscally responsible. We have managed our way out of the Global Financial Crisis by governments bailing out corporates, and replacing corporate debt with government debt. Now governments need to have plans to reduce their debt, get budgets back into balance by increasing taxes and reducing spending irrespective

# A GREEK TRAGEDY



not, such stories abound. Another relates to a dam somewhere in Greece that is administered and 'run', at great expense to the government, by 20 highly-paid commissioners. Nothing too extraordinary about that in the developed world, but this dam has no water in it and has been dry for 30 years! Government workers make up 40% of the workforce in Greece (in New Zealand it is 10%) and they could retire at 50 years old on 50% of their former salary. In essence, it was a case of jobs for life. To tide them over during their 8 weeks of annual holidays, Government employees are effectively paid 14 months' pay for 12 months' work.

It is not as if Greece is particularly well placed to sustain such abuse. It does not have many large corporations to contribute to the tax take. As you can see, the Greek economy is dominated by the government, at great cost and in need of very major reform.

Default is where you are unable to repay debts, and it would have caused a major

likely result.

The European Central Bank, fearing a domino effect that would severely compromise other member countries that had similarly weak economies and high debt levels, such as Portugal Spain Ireland and Italy, belatedly stepped up to the mark. In May, it approved lending Greece

## Greeks riot over plan for austerity cuts

\$160 billion over the next 3 years, supplemented by \$60 billion from the International Monetary Fund. In return for this, the Greek Prime Minister Papandreou passed a budget that projected that the budget deficit would get back to 3% of GDP by 2012. Measures include increasing their version of GST to 25%, increasing the age at which Greeks were eligible for

of how politically unpalatable that will probably be. In New Zealand, we have low government debt levels so this is not going to be a problem. However, it is a warning that spending and debt levels have to be controlled if problems besetting other developed countries are to be avoided.

\* All figures have been converted into New Zealand Dollars.

Shares Go Skyward

Blue Chips boost sharemarket

NZ Sharemarket breaks the 3000 barrier

Market follows Wall Street up

Costie Plus rises up by 15pc

Record Earnings for Ryman Healthcare

## Providing for Retirement is Crucial

We have seen the national superannuation entitlement age go from 60 to 65 in the last 15 or so years, and we are now seeing that the compulsory retirement age is to be abolished. Superannuation is worth less than it was (now 60% of the average wage) and will almost certainly be worth less in the future. Employees are now tending to work longer in paid employment, well past the 'retirement age' of 65. The length of time people live in retirement has also increased, because they are living longer. On top of that, there is a desire on the part of retirees to have more income in retirement so there is no sudden drop in their standard of living when they give up work. This is probably the greatest change in the thinking of retirees over the last 20 years. They want to be able to travel, dine out, be entertained, and have holidays. These are all things we've become accustomed to, and retirees have more time to take advantage of them. But they need money to do it.

Health is another issue. As you live longer, your medical needs tend to increase, so there are likely to be increased costs either to the government health service or to private insurers.

We have the ability to influence government policy, to a very limited extent, by the political parties we elect. However, government policies tend to favour the largest portion of their electorate support group. Investment policies are much harder to change or influence as the benefits tend to be longer term.

The long and short of it is that if retirees want a sure and stable income, and not suffer a drop in living standards on retirement, they really need to be in control of it themselves. This almost certainly means that they have to have made provisions during their working life, normally by way of private savings and superannuation through their work place. This is where the Seafarers Retirement Fund comes in and is so crucial in meeting retirees' expectations. As Oscar Wilde said: "When I was young, I used to think that money was the most important thing in life. Now that I am old, I know it is." Or maybe Spike Milligan expressed it better: "Money can't buy you happiness, but it does bring you a more pleasant form of misery." Think on it. And while you're thinking, think about the KiwiSaver option. Your employer contributions (2%) are exempt from tax. The Government chips in \$1000 at the time a new KiwiSaver account is set up, and it contributes up to \$1042 each year thereafter.

## Your Details Available to you Online

### ebenefits

Members can now access details of their SRF & SRF KiwiSaver records through the internet by logging on to: [www.ebenefits.com.au](http://www.ebenefits.com.au)

When a member joins the Fund, they will be sent a personal PIN Number so they can access their personal details on ebenefits. Generally, PINs are issued to

new members approximately one month after they join the Fund. With ebenefits, a member can look at their personal details; update their address; check details of their contributions; get a benefit quote; look at the latest Fund annual report, the Fund's Investment Statement and other publications. Various administration forms, e.g. Benefit Request Form, can also be downloaded from ebenefits.

This information is indicative only and may be subject to change, especially the following data:

1. transactions processed
2. interest earnings on your benefits
3. your insurance cover (if applicable).

Details of the above are provided by your employer, the investment manager(s) and the insurer. Aon New Zealand believes that the information held for you is accurate as at the day's date but is subject to change or correction.

For any further assistance or information, please contact your Scheme Administrator on 0800 266 463 or email: [lisa.bufton@aon.co.nz](mailto:lisa.bufton@aon.co.nz)

Members, employers & advisers of the Australian Aon Master Trust now need to log in through the following website: [www.aonmastertrust.com.au](http://www.aonmastertrust.com.au)

Users from Allianz, New Zealand and Papua New Guinea log in as usual below.

Username

Password



The ebenefits site is for registered users only.

If you have forgotten your username or password:

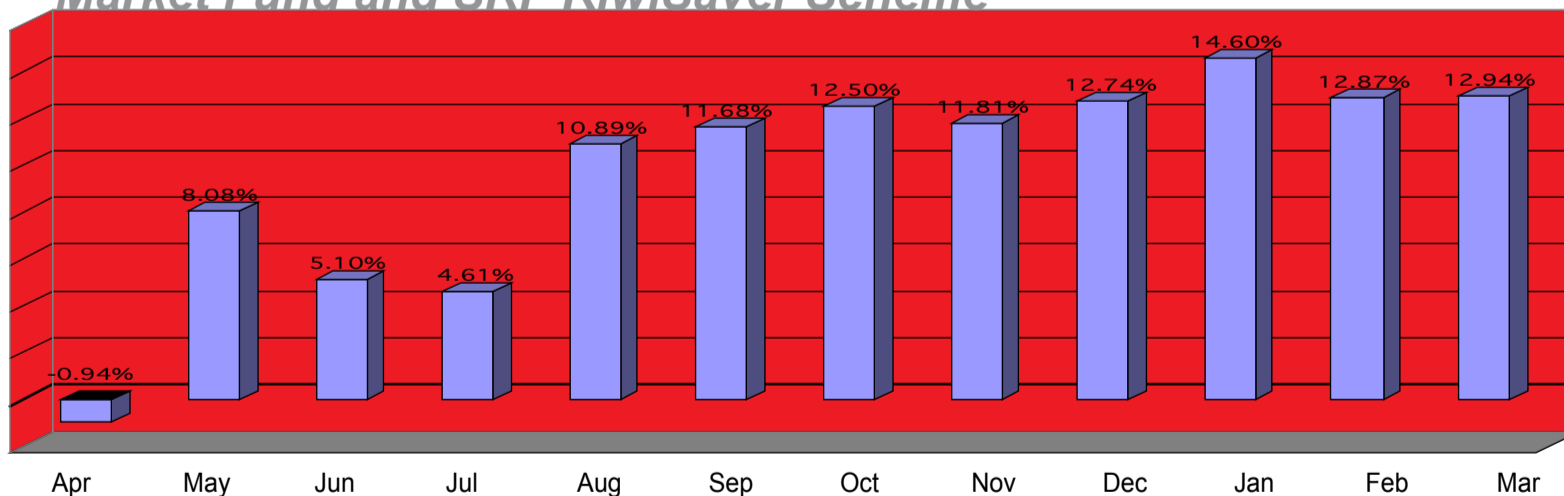
- Members or employers in New Zealand (03) 332 3323 or phone 0800 266 463
- Members or employers in Papua New Guinea phone (675) 322 4344
- Allianz members or employer (03) 332 3323 or phone 1800 656 162

To use ebenefits, your browser will need to accept cookies. To learn more about cookies (03) 332 3323.

AON

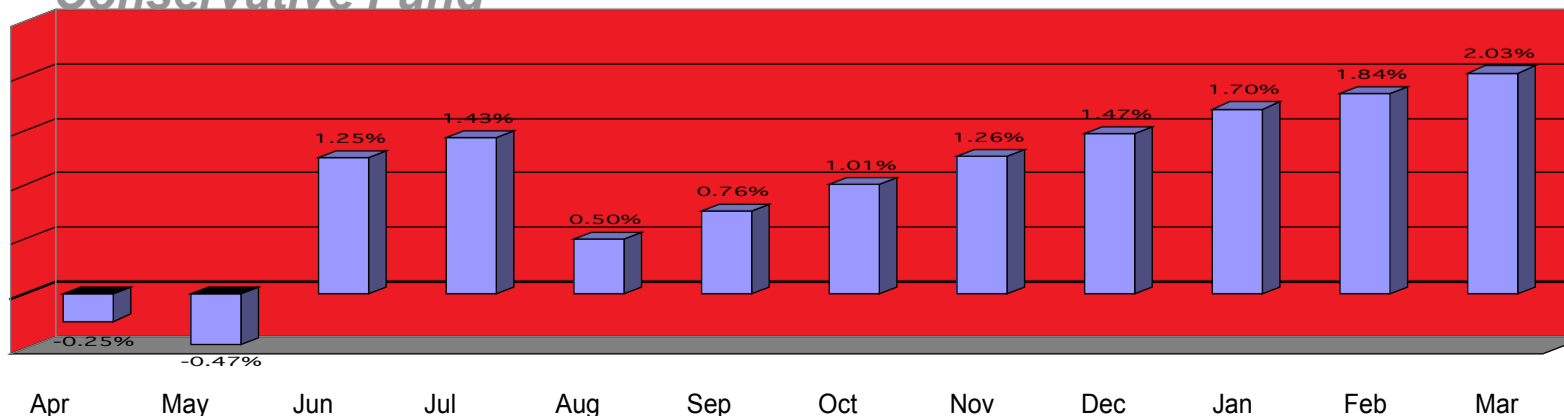
## Interim Interest Crediting Rates throughout the year

### Market Fund and SRF KiwiSaver Scheme



Every month, year-to-date valuations of the funds are conducted and used to calculate the interest to be applied to withdrawals during the year.

### Conservative Fund



These rates reflect the gains, or backward movements, of the investments as the year progresses.

Shares  
Go  
Skyward

Blue Chips boost  
sharemarket

NZ  
Sharemarket  
breaks the 3000  
barrier

Market follows  
Wall Street up

Postie Plus  
sales up by  
15pc

Record  
Earnings  
for Ryman  
Healthcare

## Help us find Missing Members

For various reasons, we have lost track of some members. They have moved house or job and we no longer have their current address. As we want to be sure they get their full entitlements under the scheme, it is very much in their interests that we make contact again. Please look at the list below. Missing members are listed under the names of employers who they have worked for in recent times. If you see the name of someone you know and you have an idea about how to contact them – postal address, a phone number (cell or landline), or email address – please get in touch with the officials listed below, or tell your union delegate. You will be doing both the SRF and the missing member a favour.

Contact	Adam Steve Burton	Mishelle G Radford	Sea Tow
Lisa Bufton at Aon (09-362 9862), David Scott (04-479 6009), Garry Parsloe (09-303 4652 or 021-326 261).	Francis Corby ? Goodwin Lee Hughes Michael D Hulbert ? James Andrew Lethbridge E McLintock ? Mitchell David Moyes ? Mundy Alin Vasile Muresan Rhy's Quinn	AJC Robertson SM Savage Cain Paul Slater BH Smith SM Sole ? Sundy ? Torrance DG Wilkins <b>NZ Offshore Services</b> Stanley Robinson	Wiremu Armitage ? Hughes Jesse J (or J Jesse) ? Boyd Maurice W Rehu <b>KiwiRail</b> P Boyce K Briant <b>Charter Marine</b> ? Brash Matt Towers

P Calvert JT Catchpole Kate Gordon A MacDonald D Mark S Shaw ? Stolte Lee Hughes <b>NZ Dredging</b> Darren Burmester M Pettit C Garth CG Smith <b>Pacifica Shipping</b> G Cook R Eagle AL Gilmore Robert Graham Angus MacPherson Kahn Mahr Mahmood Mic Nicholls	Peter Ovete T Samuels ? Ross S Tate A Udovenko GD Tyro Pitasoni Vete <b>Swire Pacific</b> DC Goodwin Hamish MacKenzie Matehe-Townsend Jeffery Mead Lisle Quintal D Turner <b>Tidewater Port Jackson</b> R Corbett <b>Silver Fern Shipping</b> Findley McNeil Joseph O'Neill
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Reichelt S Rizvi ? Ross T Sapele ? Timau <b>Wendell Offshore</b> Milligan Joseph O'Neill Joe Thompson Andrew Thompson S Young <b>Anglo Eastern</b> GD West GS Wilson <b>Golden Bay Cement</b> K Whitehouse <b>Teekay Shipping</b> Ian Stuart
---

**Employer not specified**  
G Longwith

**Call Lisa  
on  
09-362 9862**

# The Investment Jigsaw Puzzle

Just how do the different parts of the Seafarers Retirement Fund work and how do they all fit together? There are three investment options in the overall Fund, the SRF KiwiSaver Scheme, the Market option and the Conservative option. The Kiwisaver and the Market have the same investment strategy, while the Conservative has a much lower-risk strategy and consequently lower expected returns. These investment options are made up by investing in various asset sectors.

### Market and KiwiSaver investment sectors

Both of these have the same percentage amounts in the respective investment options.

As at the end of March 2010, they are as follows:

### Conservative Option

This investment option was reopened last year to new members after being closed for a number of years. As at 31 March 2010, it was made up as follows:

Sector	Benchmark %	Actual %	Conservative \$'000
Cash	100	97.1	6,696
Australasian Equities	0	0.5	33
Overseas Equities	0	0.8	55
International Bonds	0	1.6	110
<b>Total</b>	<b>100</b>	<b>100</b>	<b>6,894</b>

### How the administration works

Employers for the Conservative and Market options pay their employer subsidies and the money collected from employees directly into the SRF bank account. At the same time, they transmit their schedule to Aon, the scheme administrators. Each member's record of contributions is updated electronically. Any payments to members who are leaving, are met from the bank account. In the event that there are insufficient funds in the bank account, some selling of investment assets needs to be done. One or other of the investment managers is called upon to sell up some of their portfolio. On the other hand, if there are surplus funds, they are invested with one of the managers. While all of this is going on, care is taken to ensure that the investment benchmarks set by the trustees under the investment strategy, are adhered to.

The deductions under KiwiSaver are handled differently, in that they are forwarded by the employer to the IRD who then forwards them on to the SRF where they go through the same process previously described. For any new members, a check is made to ensure that the correct documentation has been received by Aon. If not, it is followed up promptly.

### Interim Earnings Rates

At each trustees' meeting, the earnings rate of the various funds on a year-to-date basis are reviewed and then set to be applied to any payments made to members leaving during the next two months. This is done six times a year. See the graphs on page 11.

### Investment Allocation Benchmarks

In the respective investment options, the trustees set benchmarks for the amounts, in percentage terms, to be allocated to each investment sector. The tables in this article show those benchmarks and the actual dollar amounts presently invested.

As you can see, it can be a complex business dealing with members joining the Fund, recording their contributions, their employers' contribution, and ultimately their exit from the Fund. Similarly, it is a complex business ensuring the investments adhere to the benchmarks set down, and perform satisfactorily. The trustees are helped in this by Aon Administration and Aon Consulting. The trustees also use the services of Simpson Grierson and Stephen Ward to help out with legal matters.

Sector	Benchmark %	Actual %	Market \$000	Kiwisaver \$000	Total \$000
Australasian Equities	30	32.1	10,655	42	10,697
Overseas Equities	30	29.5	9,779	40	9,819
Property	10	9.5	3,162	13	3,175
New Zealand Bonds	10	9.8	3,234	13	3,247
International Bonds	15	15.5	5,137	21	5,158
Cash	5	3.6	1,190	5	1,195
<b>Total</b>	<b>100</b>	<b>100</b>	<b>33,157</b>	<b>134</b>	<b>33,291</b>

## SRF Directory

**Secretary to the Fund & the Trustees**  
David Scott, 87 Simla Crescent,  
Khandallah, Wellington 6035  
Phs. 04-479 6009 027-595 9446  
davidscott@paradise.net.nz  
**Fund Insurer** ASB  
**Fund Investment Managers**  
AMPCI, AXA, Colonial First State  
**Auditors** KPMG  
**Legal Advisors** Simpson Grierson

**Fund Administration – A/C Manager**  
Aon New Zealand  
**Account Manager** Ashley Goss  
PO Box 2764, Wellington 6140  
Level 8 BP House, 20 Customhouse  
Quay Wellington 6011  
All correspondence to the trustees  
should be addressed to the  
Secretary of the Fund.

**Fund Administration – Administrator**  
Aon Consulting  
**Administrator** Lisa Bufton  
ph: 09-362 9862  
Fax: 09-362 9821  
email: lisa.bufton@aon.co.nz  
PO Box 3167, Auckland 1140  
Level 2 AMP Centre, 29 Customs  
Street West, Auckland 1010

Japan Shored  
up by Asian  
Demand

Consumers  
Increase  
Spending

NZX50 rises  
after overseas  
gains

Sharemarket  
forget fear

US jobless figures  
head down

Bank  
profits  
signal  
economic  
survival

## Summary Financial Statements for 2009/10

SRF KiwiSaver Scheme		Seafarers Retirement Fund	
2009	2010	2010	2009
\$	\$	\$	\$
		<b>Statement of Financial Performance for the Year Ended 31 March 2010</b>	
		<b>Investment Income</b>	
-	488	215,474	12,468
-	1,097	302,062	303,159
(932)	17,234	4,872,258	(4,097,745)
(40)	(727)	(181,135)	(160,056)
(972)	18,092	5,208,659	(3,942,174)
		<b>Other Revenue</b>	
-	-	14,971	-
-	-	-	5,000
(972)	18,092	5,223,630	(3,937,174)
		<b>Expenses</b>	
(77)	(242)	(231,851)	(202,217)
(1,049)	17,850	4,991,779	(4,139,391)
35	(175)	(104,679)	(211,432)
(1,014)	17,675	4,887,100	(4,350,823)
		<b>Membership Activities</b>	
20,924	35,357	1,287,757	1,657,778
8,353	22,938	2,008,418	2,246,787
9,420	14,443	-	-
-	18,395	-	-
(380)	(918)	-	-
-	-	(3,557,638)	(4,379,964)
38,317	90,215	(261,463)	(475,399)
37,303	107,890	4,625,637	(4,826,222)
		<b>Overall Investment &amp; Member Income</b>	
		<b>Statement of Financial Position as at 31 March 2010</b>	
34,220	133,944	39,737,101	35,233,941
3,138	11,536	284,483	209,612
37,358	145,480	40,021,584	35,443,553
		<b>Liabilities</b>	
55	287	52,731	100,337
37,303	145,193	39,968,853	35,343,216
		<b>Net Assets Available to Pay Benefits</b>	
		Represented by liability for accrued benefits:	
37,298	145,193	14,312,564	13,255,475
-	-	25,407,068	21,766,005
-	-	248,769	318,986
5	-	452	2,750
37,303	145,193	39,968,853	35,343,216
37,298	145,193	36,439,370	31,776,351
		<b>Vested Benefits *</b>	
		<b>Statement of Cashflows for the year ended 31 March 2010</b>	
-	3,103	18,214	106,241
38,295	91,162	(104,572)	(371,325)
(35,192)	(82,729)	252,820	283,298
3,103	11,536	166,462	18,214
		<b>Closing Cash on Hand</b>	

- The SRF KiwiSaver Scheme commenced operations on 7 December 2008 and therefore the 2009 column summary above (far left) represents operations from 7 December 2008 to 31 March 2009.
- The summary financial statements have been extracted from the full financial statements for the year ended 31 March 2010 which have been audited and on which an unqualified opinion has been issued and which were authorised for issue on 22 June 2010.
- The summary financial statements cannot be expected to provide as complete an understanding as provided by the full financial statements of the financial performance, position and cashflows of the entities.
- Any member who wishes to receive full financial statements at no cost should contact the Fund administrator, Aon New Zealand, details on page 12. The entities are profit-oriented and the full financial statements have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZIFRS). The entities have made explicit and unreserved statements of compliance with NZIFRS in note 2 of their full financial statements. The summary financial statements have been prepared in compliance with Financial Reporting Standard No.43 - Summary Financial Statements.
- \* **Vested benefits** are benefits payable to members or beneficiaries under the terms of the Trust Deed, on the basis of all members ceasing to be members of the Fund at balance date.