

Statement of Investment Policy and Objectives

ACC Superannuation Scheme

1 October 2013





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1. Introduction

1.1 Purpose

The purpose of this Statement of Investment Policy and Objectives (SIPO) is to document the decision the Trustee has made on the investment management of the ACC Superannuation Scheme (Scheme). In particular the SIPO:

- Specifies the Trustee's overall investment objectives
- Details the Scheme's investment strategy
- Details the investment manager's specific objectives
- Allocates responsibilities between the Trustee and the investment managers
- Specifies the terms of the investment mandates and constraints to be observed by the investment managers.

1.2 Background

The Scheme is a registered superannuation scheme established by a trust deed dated 27 August 1991.

It is a defined contribution scheme with Members determining their own level of contributions, subject to a minimum of 3% of salary and contributions being in multiples of 1% of salary. For every dollar that Members contribute, the employer contributes \$1.50 (before deduction of employer contributions contribution tax), up to a maximum of 9% of salary.

The Trustee believes that, in setting the investment policies for the Scheme, it should offer Members the choice of investment fund. From 30 September 2003, a Conservative Fund was introduced to complement the Balanced Fund previously available. From 1 April 2011, investment choice was further enhanced by the introduction of a Growth Fund.

The Trustee recognises that under all strategies, it is likely that there will be some fluctuations in rates of return from year to year. Accordingly, the Trustee reserves the right to implement crediting rate smoothing mechanisms if it deems them appropriate.

1.3 Updates

The SIPO was completely rewritten in March 2011 and supersedes the previous SIPO which was dated 23 May 2008. This is the second update since the March 2011 document.



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2. The Parties and their Responsibilities

2.1 Trustee

The Trustee of the Scheme is Shamrock Superannuation Limited. The directors of Shamrock Superannuation Limited are:

- Susan Weaver (Chair)
- Maree Bennett
- Mark Dossier
- Philip Newport

The Secretary of the Scheme is Dominic Drummond.

2.2 Investment managers

The investment managers are:

- AMP Capital Investors Limited
- Harbour Asset Management Limited
- Tower Asset Management Limited *

* Tower Asset Management Limited is a wholly owned subsidiary of Fisher Funds Management Limited. The underlying Global Bond fund managers are PIMCO and Wellington Management.

2.3 Investment consultant

The investment consultant is Melville Jessup Weaver (MJW).

2.4 Responsibilities of the Trustee

The Trustee Act 1956 requires the Trustee to exercise the care, diligence and skill that a prudent person of business would exercise in managing the affairs of others. The Trustee may have regard to the following matters:

- The need to maintain the real value of capital
- The risk of capital loss or depreciation
- The potential for capital appreciation
- The likely income return
- Taxation
- The effects of inflation.

The responsibilities of the Trustee as they relate to the Scheme investments are:

- To establish the investment objectives and the investment strategy for each investment option
- To appoint investment managers to invest the Scheme's assets
- To review the performance of the Scheme's fund investment managers as reported by the investment consultant
- To review the performance of the investment consultant
- To communicate to Members the results of the Scheme's performance
- To review the SIPO at least every year.

2.5 Investment managers

The responsibilities of the investment managers are:

- To invest the assets of the Scheme in accordance with the SIPO and their individual investment mandates
- To provide a copy of their investment guidelines for each individual product and to advise the Trustee and the investment consultant of any changes. A copy of the current guidelines is **attached** as Appendix A
- To provide reporting to the Trustee and the investment consultant on a basis agreed from time to time
- To provide information on changes in personnel
- To attend Trustee meeting when requested
- To participate with the Trustee and the investment consultant in the review of the SIPO.

2.6 Investment consultant

The responsibilities of the investment consultant are:

- To assist the Trustee in the establishment of and the regular review of the Scheme's investment objectives and strategy
- To assist the Trustee in the appointment of the investment managers
- To monitor the performance of the investment managers
- To provide general advice to the Trustee on investment matters
- To attend Trustee meetings when required
- To provide the Trustee with such additional information as they may require from time to time.

Over
80%

of ACC staff choose **mysuper**
as their superannuation scheme.



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3. Investment Strategy and Objectives

3.1 Strategy

Members have the choice of three investment options, as follows:

- Conservative Fund
- Balanced Fund
- Growth Fund.

Each of these strategies has its own investment objectives and benchmark asset allocation.

3.2 Investment Objectives

Conservative Fund

The investment objectives of the Conservative Fund are as follows:

- To deliver positive stable returns that exceed after tax cash returns** by at least 1% pa, over rolling 3 year periods
- To deliver a real return (after inflation, tax and investment expenses) of at least 1.5% pa over rolling 3 year periods
- To produce a result in the top half of comparable KiwiSaver funds in the MJW Investment Survey over rolling 3 year periods.

** For performance measurement purposes, the OCR will be used

Based upon modelling carried out by the investment consultant, there is a 1 in 10 chance of a negative return each year.

Balanced Fund

The investment objectives of the Balanced Fund are as follows:

- To deliver a real return (after inflation, tax and investment expenses) of at least 3% pa over rolling 5 year periods
- To produce a result in the top half of comparable KiwiSaver funds in the MJW Investment Survey over rolling 3 year periods.

Based upon modelling carried out by the investment consultant, there is a 1 in 4 chance of a negative return each year.

Growth Fund

The investment objectives of the Growth Fund are as follows:

- To deliver a real return (after inflation, tax and investment expenses) of at least 4.0% pa over rolling 8 year periods
- To produce a result in the top half of comparable KiwiSaver funds in the MJW Investment Survey over rolling 3 year periods.

Based upon modelling carried out by the investment consultant, there is a 1 in 3 chance of a negative return each year.

3.3 Taxation

The Scheme's investment income is subject to tax on the following basis:

- Fixed interest investments, including cash, are taxed under the CV regime
- Global equities are taxed under the FDR regime
- Capital gains on Australasian equities are not subject to tax. Dividends are taxable.

mysuper investment options

We're always looking for ways to make **mysuper** as simple as possible for you. That's why we have two different investment options for Members:

lifestages: straightforward and easy, great if Members would rather leave the investment decisions to the Scheme. By choosing lifestages the Scheme adjusts how Members contributions are invested by adjusting the risk profile as they age.

investmentchoice: offers Members more control over where contributions, on their behalf, are invested. They can choose how their contributions are allocated between the three investment funds.





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4. Investment Parameters and Benchmarks

4.1 Investment Parameters

The investment parameters are:

- All investments are to be readily marketable
- Reliable market quotations for prices for investments are to be available at all times
- All investment portfolios are to be fully invested. Any cash positions should be temporary and should reflect general repositioning of the portfolio or covering a futures position
- Currency exposure for global bonds is to be 100% hedged to the NZ dollar
- Overall currency exposure for all offshore equities (excluding Australian equities) is to be 50% hedged to the NZ dollar.
- Futures contracts and options are to be restricted to hedging techniques and not to leverage the portfolio
- Securities are not to be lent to any other third party without the consent of the Trustee
- No more than 7.5% shall be invested in any one company.

It is accepted that the assets are invested through managed funds and any exceptions to the above should be advised by the investment manager to the Trustee.

4.2 Benchmark asset allocation and ranges

The benchmark asset allocation and ranges are set out in the tables below. The ranges are to ensure that the overall risk / return characteristics of each portfolio are not compromised by market movements.

Conservative Fund

Asset Class	Benchmark %	Range %
Australasian Equities	10%	5-15%
Global Equities	10%	5-15%
Total Growth Assets	20%	15-25%
NZ Bonds	10%	5-15%
Global Bonds	20%	15-25%
Cash	50%	45-55%
Total Income Assets	80%	75-85%

Balanced Fund

Asset Class	Benchmark %	Range %
Australasian Equities	13.75%	8.75-18.75%
Global Equities	41.25%	36.25-46.25%
Total Growth Assets	55%	50-60%
NZ Bonds	13.33%	8.33-18.33%
Global Bonds	26.67%	20.67-30.67%
Cash	5%	0-10%
Total Income Assets	45%	40-50%

Growth Fund

Asset Class	Benchmark %	Range %
Australasian Equities	20%	15-25%
Global Equities	60%	55-65%
Total Growth Assets	80%	75-85%
NZ Bonds	5%	0-10%
Global Bonds	10%	5-15%
Cash	5%	0-10%
Total Income Assets	20%	15-25%

The rebalancing rules are set out in section 4.3.

Foreign Currency

The benchmark foreign currency hedging position is as follows:

Global Bonds	100% hedged at all times
Global Equities (excluding Australian Equities)	50% hedged, with a range of 45% to 55%.

4.3 Sector management

Global equities are to be managed on a passive indexed basis. All other sectors are to be actively managed with the manager expected to add value from stock selection decisions.

4.4 Tactical asset allocation, cashflow management and rebalancing

The Trustee has decided not to attempt to add any value by making short to medium term tactical asset allocations. Accordingly, a passive approach to asset allocation is to be adopted.

The rules for managing cash flow and the distribution of assets between sectors and investment managers are as follows:

Scheme Administrator's bank account

- The administrator will maintain a bank account for the purposes of managing the Scheme's short term cash flow requirements; in particular the receipt of contributions from Members and ACC and the payment of benefits, expenses and tax
- When the Scheme's bank account reaches a size which is more than sufficient to meet the short term cash flow requirements, the excess shall be transferred to one or all of the Scheme's investment managers
- Where the Scheme administrator's bank account is insufficient to meet the Scheme's short term cash flow requirements, then the shortfall shall be met by way of transfer from the investment managers
- The amount to be transferred to or from the investment manager shall be determined by the Administrator in consultation with the Scheme Secretary and the Investment Consultant.

Split of assets between sectors – rebalancing

- The assets should be invested broadly in line with the benchmark asset allocation
- However, the allocation to each asset class will be allowed to vary, due primarily to market movements, within the ranges set
- Cash flow (either to or from the investment managers) shall be the primary mechanism for ensuring that the asset allocation is maintained broadly in line with the benchmark asset allocation weightings and within the ranges set out in section 4.2
- If at the end of a quarter, the allocation to a particular sector has moved outside the ranges set out in section 4.2, the assets shall be rebalanced so as to bring back the asset allocation within the permitted ranges. A practical approach shall be taken to any rebalancing, with one of the objectives being to minimise transaction costs
- The Investment Adviser will advise on the allocation of cash flows as between sectors, and also advise on any rebalancing required.



of members have chosen the complying fund since 1 July 2011

Investment of the Reserve Account

- The Scheme's Reserve Account shall be invested in the Balanced Fund.



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5. Investment Managers

5.1 Investment managers / Investment products

The Trustee has decided to adopt a sector specialist approach, using the following investment managers:

Sector	Manager	Product
Australasian Equities	Harbour Asset Management	Harbour Australasian Equity Fund
Global Equities	AMP Capital Investors	Wholesale Unit Global Index Shares Fund ⁽¹⁾
NZ Bonds	AMP Capital Investors	NZ Fixed Interest Fund
Global Bonds	Tower Asset Management* ⁽²⁾	International Bond Fund ⁽²⁾
Global Bonds	Tower Asset Management* ⁽²⁾	Core International Bond Fund ⁽²⁾
Cash	AMP Capital Investors	NZ Cash Fund

* Tower Asset Management Limited is a wholly owned subsidiary of Fisher Funds Management Limited. The underlying Global Bond fund managers are PIMCO and Wellington Management.

Notes

1. Global equities are to be invested in hedged and unhedged units in approximately equal proportions. The benchmark allocation to each of the hedged and unhedged units is 50% with a rebalancing range of 45% – 55%.
2. The underlying investment manager for the International Bond Fund is PIMCO. For the Core International Bond Fund, the underlying manager is Wellington.
3. The split between the two global bond funds is to be managed on a passive basis with a benchmark allocation of 50% to each fund and a rebalancing range of 45% – 55%.

Separate assets will be maintained for the Conservative, Balanced and Growth Funds.

A copy of the investment managers' investment guidelines is attached in Appendix A.

5.2 Investment Manager Evaluation Criteria

With the exception of global equities, the investment managers are expected to add value by active stock selection decisions within each investment sector.

The criteria by which the performance of each investment manager will be measured are as follows:

Individual Sector Performance

Each investment manager is expected to achieve a return before tax and investment expenses, over rolling three year periods, which:

- Exceeds the relevant index by the margins specified in the following table; and
- Is above the median level of comparable managers in the MJW quarterly investment survey.

Sector	Index	Outperformance Objective
Australasian Equities (Harbour)	Russell/GS JB Were Tradeable Gross Index	2.5% pa
Global Equities (AMP)	MSCI World Index	Nil
NZ Bonds (AMP)	ANZ NZ Government Stock Gross Return Index	0.75% pa
Global Bonds (Tower – PIMCO)	Barclays Capital Global Aggregate Index (hedged)	1% pa
Global Bonds (Tower – Wellington)	Barclays Capital Global Aggregate Index (hedged)	0% pa
Cash (AMP)	ANZ NZ 90 Day Bank Bill Gross Return Index	0.15% pa

5.3 Investment Manager Review

Progress towards the achievement on these objectives shall be monitored on a quarterly basis. The investment managers shall be subject to a formal review at least every three years. More frequent reviews will take place if the Trustee has any cause for concern.



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6. Investment Reporting

6.1 Investment Managers

The following information is required from the investment managers on a monthly basis for each asset class under management:

- Market values as at the month end
- Actual returns gross of fees and tax for the month, rolling quarter and year to date
- Index returns for the same periods
- Taxable income for the month and year to date
- Contributions and withdrawals for the month.

The reports are required no later than business day 10 following month end.

In addition, at the end of each quarter, each investment manager is to provide a more comprehensive report including:

- Accounting information over the period including a balance sheet, and transaction details
- Comment on past performance and the reason for out/under performance
- Economic comment pertinent to the mandate and the outlook for future returns.

At the end of the financial year, such additional information as is required to enable the financial statements of the Scheme to be prepared.

6.2 Investment Adviser

On a quarterly basis, the investment adviser will provide an investment report to the Trustee which contains sufficient information to enable the Trustee to monitor the performance of the investment managers against the evaluation criteria. The quarterly performance report shall include:

- Market values as at the end of the quarter
- Actual returns gross of fees and tax for each Fund for the quarter, the previous year and the previous three years
- An estimate of the net returns over the same periods
- Benchmark returns for the same periods
- An attribution analysis, showing where value has been added or lost
- A comparison of returns against other investment managers
- An investment commentary, including fund manager developments
- Such other information as may be requested by the Trustee.

During the year the net membership increased by 6.8% to 2,109 members.

APPENDIX
A

Appendix A

Investment guidelines

- Harbour Australasian Equity Fund
- AMP Capital Wholesale Unit Global Index Shares Fund
- AMP Capital NZ Fixed Interest Fund
- Tower International Bond Fund
- Tower Core International Bond Fund
- AMP Capital NZ Cash Fund.

Copies of the above guidelines can be found at
mysuper.co.nz/about/funds



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Freepost 130993

PO Box 242

Wellington 6140

0508 mysuper (0508 697 873)

hello@mysuper.co.nz