

**Minutes of a meeting of**

**Venue**

**Date**

**BOARD OF TRUSTEES OF THE NATIONAL PROVIDENT FUND  
(the Board)**

Level 12 | The Todd Building | 95 Customhouse Quay | Wellington 6011

**Tuesday, 25 February 2020** commencing at 8.30 am

**PRESENT**

Mr E Schuck (Chair)  
Mr D Mussett  
Mr W Stechman  
Mr S Ward  
Ms L Edwards  
Ms S Park

**IN ATTENDANCE**

Mr S Tyler  
Ms P Drury  
Mr P Bevin  
Messrs K Poore, s9(2)(a) and Ms N Rumsey (for the Investment items)

Messrs s9(2)(a) from Treasury joined the meeting from 9.15 am to 9.55 am

**APOLOGIES**

Nil

The Board initially met in the absence of Management.

All Board members confirmed there were no specific interests to declare.

**1. MINUTES OF THE BOARD MEETING**

The Board **NOTED** and **AGREED** the minutes of the Board meeting held on 5 December 2019 subject to the addition of a new clause at agenda item 3.5 (f) as follows:

**REQUESTED** Management review the case for active versus passive investment as an s9(2)(i) later this year.

**2. ADMINISTRATION**

**2.1 Matters Arising**

The Board:

- (a) **NOTED** the Matters Arising.
- (b) **NOTED** there is a Russell seminar in Wellington on 25 March 2020, the day after the next Board meeting.
- (c) **REQUESTED** the CEO circulate to the Board the details of the Centre for Investor Education Major Market Players Conference in Australia later this year.

**2.2 Long Term Work Calendar**

The Board **NOTED** the Long Term Work Calendar.

## 2.3 Interests Register

The Board **NOTED** the Interests Register.

## 2.4 Treasury

The Board:

- (a) **WELCOMED** Messrs s9(2)(a) to the meeting at 9.15 am.
- (b) **RECEIVED** comment from s9(2)(a) regarding the content of the annual Letter of Expectations from the Minister of Finance dated 22 October 2019, including the messaging around responsible investment and the information gathering requirements of Treasury, noting the Government's heightened interest in responsible investment, the changing nature of best practice (particularly decarbonisation) and the passage of the zero carbon bill.
- (c) **CONFIRMED** NPF's fiduciary duty is to maximise returns to members and this, together with the different statutory responsibilities from other CFIs, has resulted in a slightly different approach being taken by NPF to responsible investment, e.g. NPF does not exclude investment in tobacco.
- (d) **DISCUSSED** responsible investment generally, the Board's awareness of the Crown's view, noting the market is pricing in carbon risk. NPF's active managers are best placed to respond to this risk and currently s9(2)(a)
- (e) Treasury **DISCUSSED**:
- Their information gathering initiatives, noting the overall objective is to enhance reporting to the Minister of Finance. A series of workshops is being held with CFIs. At the first workshop the CFIs suggested using scenario analysis as an appropriate way to frame information gathering – e.g. the effect of shocks and the flow on effect on Crown fiscal issues.
  - The intention is to design the information gathering programme first, then consider whether adoption of IT based solutions may increase efficiency.
- (f) The Chairman **THANKED** Messrs s9(2)(a) for joining the meeting. Messrs s9(2)(a) left the meeting at 9.55 am.

## 3. KEY PAPERS

### 3.1 Chief Executive's Report

The Board:

- (a) **NOTED** the Report.
- (b) **DISCUSSED** responsible investment and **REQUESTED** ongoing updates on responsible investment to future Board meetings.
- (c) The Chair **CONFIRMED** approval for his electronic signature to be appended to the response to the annual Letter of Expectations.
- (d) **REQUESTED** regular reporting to the Board on exposure to fossil fuels.

### 3.2 Health, Safety and Wellness Update

- (a) **DISCUSSED** the report.
- (b) **REQUESTED** a note be added to the report confirming EAP services are in place and available to Annuitas staff.

### 3.3 Global Equities - Replacement for [REDACTED]

The Board:

- (a) **NOTED** and **DISCUSSED** the report, including:
  - [REDACTED]
  - [REDACTED]
  - [REDACTED]
- (b) **APPROVED** [REDACTED] strategy replacing [REDACTED]
- (c) **NOTED** the target capital allocation is an equal weighting to all managers. That capital allocation gives an active risk allocation of [REDACTED]
- (d) **NOTED** the transition from [REDACTED] will use the transition manager, [REDACTED].
- (e) **AUTHORISED** Management to agree the fees for the transition with [REDACTED].
- (f) **APPROVED** Management executing the Investment Management Agreement with [REDACTED] under Common Seal subject to receipt of appropriate legal sign off.
- (g) **NOTED** transition will take place as soon as the legal documentation is in place.

### 3.4 NPF Dynamic Asset Allocation Review

The Board:

- (a) **NOTED** all the recommendations from the 2016 DAA Review have been implemented.
- (b) **NOTED** DAA performance has been [REDACTED] since the last review.
- (c) **NOTED** DAA risk has also been [REDACTED] since the last review.
- (d) **NOTED** internal control of the DAA programme remains the best approach in Management's view.
- (e) **APPROVED** continuation of the current DAA programme.
- (f) **APPROVED** [REDACTED]

- (g) **NOTED** Management has provided a copy of the review to s9(2)(i) and will circulate their opinion to the Board once received.

### 3.5 Annuitas Management Limited – Appointment of Director

The Board:

- (a) **CONFIRMED** Mr Ward as the Board’s representative on the Board of Annuitas Management Limited effective 1 March 2020.
- (b) **APPROVED** Mr Schuck signing the attached notice of appointment of director under clause 8.3(c) of the Annuitas constitution advising Annuitas and the Government Superannuation Fund Authority of Mr Ward’s appointment.
- (c) **CONFIRMED** Mr Schuck and Mr Ward as the Board’s representatives at the Annual General Meeting of Annuitas Management Limited to be held in around November 2020.
- (d) **NOTED** the current Chair of Annuitas Management Limited is Mr Schuck. Ms Anne Blackburn from the Government Superannuation Fund Authority will become Chair of Annuitas for 12 months from the day after the date of the Annual General Meeting in November 2020.

s9(2)(i)

s9(2)(i)

s9(2)(i)  
s9(2)(i)

s9(2)(i)

s9(2)(i)  
s9(2)(i)

## 4. INVESTMENTS

### 4.1 Quarterly Investment Report

The Board:

- (a) **NOTED** and **DISCUSSED** the report, including:
- Returns for the quarter to December 2019.
  - Performance is behind expectations for the E and A Units.
  - Reserve levels for schemes with risky assets have increased.
- (b) **DISCUSSED:**
- s9(2)(i) performance continues to disappoint.
  - s9(2)(i) is also highly regarded by s9(2)(i).
  - s9(2)(i)
  - s9(2)(i)
  - s9(2)(i)
- (c) **AGREED** a zoom presentation will be organised with the Board and AQR at a future Board meeting this year.

### 4.2 Investment Update

The Board **NOTED** and **DISCUSSED** the report.

#### **4.3 Review of Custodian, Securities Lending, Class Actions, FX, Proxy Voting and Transition Manager**

The Board **NOTED** the report and that a similar update will be provided to the Board on an annual basis.

#### **4.4 Investment Road Map Feb 2020**

The Board **NOTED** and **DISCUSSED** the report.

#### **4.5 Sydney Travel Report – s9(2)(a)**

The Board **NOTED** and **DISCUSSED** the report.

#### **4.6 Minutes of the Investment Committee**

The Board **NOTED** the draft minutes of the Investment Committee meeting held on 11 February 2020.

### **5. SCHEMES**

#### **5.1 Schemes Update**

The Board **NOTED** the report and **DISCUSSED** the recent change in personnel.

### **6. FINANCE**

#### **6.1 Scheme (GAT) results to 31 December 2019**

The Board **NOTED** the report incorporating the Scheme Financial Statements for the nine months to 31 December 2019.

#### **6.2 Board of Trustees and Board Reserves Financial Statements**

The Board:

- (a) **NOTED** the financial statements of the Board of Trustees for the nine months to 31 December 2019.
- (b) **NOTED** the financial statements of the Board Reserves, for the nine months to 31 December 2019.

#### **6.3 Annuitas Management Limited Financial Statements**

The Board **NOTED** the financial statements of Annuitas Management Limited for the six months to 31 December 2019.

### **7. PAPERS FOR NOTING**

#### **7.1 Minutes of the ALCO Committee Meeting**

The Board **NOTED** the minutes of the ALCO Committee meetings held on 21 November 2019 and 23 January 2020.

RELEASED UNDER THE OFFICIAL INFORMATION ACT

## **8. DELEGATED DECISIONS**

### **8.1 Board of Trustees of the National Provident Fund - Common Seal**

The Board **NOTED** there had been no use of the Common Seal of the Board of Trustees of the National Provident Fund for the period 27 November 2019 to 11 February 2020.

### **8.2 Documents signed on behalf of the Board**

The Board **NOTED** no documents had been signed on behalf of the Board during the period 27 November 2019 to 11 February 2020.

### **8.3 Management Decisions made under Delegated Authority**

The Board **NOTED** Management's delegated decisions during the period 27 November 2019 to 11 February 2020.

## **9. OTHER BUSINESS**

There was no other business.

The meeting finished at 11.55am.

**NEXT MEETING:** The next meeting of the Board is scheduled to commence at 8.30am on the 24 March 2020 in Wellington.

RELEASED UNDER THE OFFICIAL INFORMATION ACT

**Minutes of a meeting of**

**BOARD OF TRUSTEES OF THE NATIONAL PROVIDENT FUND  
(the Board)**

**Venue**

Video Conference via Zoom

**Date**

**Tuesday, 24 March 2020** commencing at 8.30 am

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**PRESENT**

Mr E Schuck (Chair)  
Mr D Mussett  
Mr W Stechman  
Mr S Ward  
Ms L Edwards  
Ms S Park

**IN ATTENDANCE**

Mr S Tyler  
Ms P Drury  
Mr P Bevin  
s9(2)(a) (for the Investment items)

**APOLOGIES**

Nil

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The Board initially met in the absence of Management.

All Board members confirmed there were no specific interests to declare.

The Board meeting commenced at 8.45 am.

**1. MINUTES OF THE BOARD MEETING**

The Board **NOTED** and **AGREED** the minutes of the Board meeting held on 25 February 2020 subject to a minor change to the wording of agenda item 2.4 (c).

**2. ADMINISTRATION**

**2.1 Matters Arising**

The Board **NOTED** the Matters Arising.

**2.2 Long Term Work Calendar**

The Board **NOTED** the Long Term Work Calendar.

**2.3 Interests Register**

The Board:

- (a) **NOTED** the Interests Register.
- (b) **REQUESTED** the Interests Register be updated to reflect Mr Stephen Ward's appointment to the Board of Annuitas Management Limited.
- (c) **NOTED** s9(2)(a) role as a director of s9(2)(a) is ending shortly.



### **3. KEY PAPERS**

#### **3.1 Chief Executive's Overview**

The Board:

- (a) **NOTED** the report.
- (b) **NOTED** the Annuitas office is closed from 24 March 2020 and staff have been provided with sufficient equipment to enable them to work remotely from home.
- (c) **REQUESTED** the CEO send a brief weekly update to the Board each Friday (and more frequently if there is a significant event) until further notice.
- (d) **NOTED** the Treasury information project has been put on hold.

#### **3.2 Health, Safety and Wellness Update**

- (a) **DISCUSSED** the report.
- (b) **NOTED** the CEO has flexibility to adjust sick leave entitlements should this be required in the current environment and some leave balances may remain higher than normal.

#### **3.3 Small Cap Equities**

The Board:

- (a) **NOTED** and **DISCUSSED** the report, including:

- s9(2)(j)
- s9(2)(j)
- s9(2)(j)
- s9(2)(j)
- s9(2)(j)
- Small cap is defined by MSCI as the index provider and includes stocks with a market cap of between \$33 million - \$10 billion.
- NPF effectively has a small cap exposure through its investment in NZ equities.
- The comments on the s9(2)(j) on measurement of the small cap premium and the identification of persistent factors (eg value, market, size, momentum, quality/defensive).
- The "January" effect – year-end tax loss selling and "window dressing" by managers electing to sell what did poorly and buy what did well.
- Investment managers' discretion and s9(2)(j) their ability to add value to the portfolio.

- (b) **3.4 Responsible Investment: Climate Risks**

The Board:

- (a) **NOTED** and **DISCUSSED** the report.
- (b) **AGREED:**
  - whilst the Board is not looking to change its responsible investment policy at this time, responsible investment remains a key matter for consideration by the Board and will remain on the agenda for future meetings.
  - The effect ESG factors have on the risk and return characteristics of the portfolio is acknowledged. Active managers take ESG factors into account when investing.

- Some activities are illegal and these are filtered and excluded from the portfolio. At this stage no further filters or exclusions are required to exclude further stocks from the portfolio.

### 3.5 NPF Expense Budget 2020/21

The Board:

- (a) **REVIEWED** and **DISCUSSED** the report, in particular the expenses for investments, professional advice and travel.
- (b) **REQUESTED** clarification of the assumptions with respect to dividends and imputation credits.
- (c) **APPROVED** the budget for the year to 31 March 2021 as presented, s9(2)(i)

### 3.6 Lump Sum Cash Accumulation Scheme – Change to Annual Withdrawal Frequency

The Board:

- (a) **NOTED** the report and the member request.
- (b) **APPROVED** the number of partial withdrawals a year from the Lump Sum Cash Accumulation Scheme being increased from 2 withdrawals to 4 withdrawals per annum.

### 3.7 Cash Fund – Withdrawal from ANZ Bank New Zealand Limited and Termination

The Board:

- (a) **NOTED** the report.
- (b) **APPROVED** the termination of the direct investment by the Cash Fund with ANZ Bank New Zealand Limited.
- (c) **NOTED** following this termination, AMP will be the sole investment manager for the Cash Fund.

## 4. INVESTMENTS

### 4.1 Investment Update

The Board:

- (a) **NOTED** and **DISCUSSED** the report, including:
  - Estimated returns tabled for the period to 20 March 2020, noting the estimated return for the Fund as a whole from 1 March to 20 March 2020 is -9.2%, the return for the FYTD to 29 February 2020 is 4.2% and the estimated return for the FYTD to 20 March 2020 is -5.4%.
  - T Rowe Price will assume control of their portfolio from 26 March 2020.
- (b) Managers may hold s9(2)(i) bonds but the exposure is limited. The s9(2)(i) includes some emerging market debt which is s9(2)(i)
- (c) **DISCUSSED** DAA, the current rules based tilting programme and the actions taken to date.

- (c) **REQUESTED** an Investment Committee meeting be scheduled around 21 April 2020 (immediately after the ALCO meeting for April) to review the next DAA steps.

## 4.2 Antipodes on Market Impact of Covid-19

The Board **NOTED** and **DISCUSSED** the article from Antipodes.

## 5. SCHEMES

### 5.1 Schemes Update

The Board:

- (a) **NOTED** the report.
- (b) **DISCUSSED**:
- Most of the s9(2)(a) are successfully working remotely from home.
  - Treasury has agreed to put in place an automatic payment for the funding of the DBP Annuitants Scheme pension payments every four weeks.
  - Management has advised Treasury there is likely to be a Section 72 claim this year for the three large defined contribution schemes. The value of the claim is estimated at \$22 million, with the worst case scenario being \$40 million.
  - Membership activity – there has been an increase in requests relating to redundancy.
  - s9(2)(a) form a large percentage of the membership of the DBP Contributors Scheme and all the members of the s9(2)(a).

## 6. FINANCE

### 6.1 Schemes (GAT) results to 31 January 2020

The Board:

- (a) **NOTED** the report incorporating the Scheme Financial Statements for the nine months to 31 January 2020.
- (b) **NOTED** the reporting is dependent on receiving information from the custodian, JP Morgan. At the time the Board papers were sent out, the results for February 2020 were not yet available.
- (c) **REQUESTED** Management report back to the Board on the reason for the difference in results in the graph for the Meat Industry Scheme compared to the Pension National and Lump Sum National Schemes, given the asset allocations are the same.

### 6.2 Board of Trustees and Board Reserves Financial Statements

The Board:

- (a) **NOTED** the financial statements of the Board of Trustees for the ten months to 31 January 2020.
- (b) **NOTED** the financial statements of the Board Reserves, for the ten months to 31 January 2020.

## 7. PAPERS FOR NOTING

### 7.1 Minutes of the ALCO Committee Meeting

The Board **NOTED** the minutes of the ALCO Committee meetings held on 19 February 2020.

## **8. DELEGATED DECISIONS**

### **8.1 Board of Trustees of the National Provident Fund - Common Seal**

The Board **NOTED** the use of the Common Seal of the Board of Trustees of the National Provident Fund for the period 12 February 2020 to 16 March 2020.

### **8.2 Documents signed on behalf of the Board**

The Board **NOTED** no documents had been signed on behalf of the Board during the period 12 February 2020 to 16 March 2020.

### **8.3 Management Decisions made under Delegated Authority**

The Board **NOTED** Management's delegated decisions during the period 12 February 2020 to 16 March 2020.

## **9. OTHER BUSINESS**

The Board **AGREED** the May meeting would be conducted via Zoom.

There being no other business, the meeting finished at 11.30 am.

**NEXT MEETING:** The next meeting of the Board is scheduled to commence at 8.30am on the 19 May 2020 via Zoom.

RELEASED UNDER THE OFFICIAL INFORMATION ACT

**Minutes of a meeting of**

**BOARD OF TRUSTEES OF THE NATIONAL PROVIDENT FUND (the Board)**

**Venue**

Level 12, the Todd Building, 95 Customhouse Quay, Wellington or Video Conference via Zoom

**Date**

**Tuesday, 19 May 2020** commencing at 8.30 am

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**PRESENT** Via Zoom Mr E Schuck (Chair)  
Mr D Mussett  
Ms L Edwards (till 12.15 pm)  
Ms S Park

In Person Mr S Ward  
Mr W Stechman

**IN ATTENDANCE** Mr S Tyler  
Ms P Drury  
Mr P Bevin  
s9(2)(a), Ms N Rumsey, s9(2)(a)

**APOLOGIES** Nil

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The Board initially met in the absence of Management.

All Board members confirmed there were no specific interests to declare.

The Board meeting commenced at 8.50 am.

**1A AQR PRESENTATION**

The Board **RECEIVED** an interactive presentation from s9(2)(a), from AQR on style premia and the value premium.

The presentation started at 9.00 am and concluded at 10.40 am.

The presentation covered the historical evidence for style premia since the 1920s, the background and explanations for value investing, whether systemic value investing is still relevant today or if there has been a fundamental shift in the markets, performance attribution and what the future holds for value investing.

**1. MINUTES OF THE BOARD MEETING**

The Board:

- (a) **NOTED** and **AGREED** the minutes of the Board meeting held on 24 March 2020, **SUBJECT TO** an amendment to item 3.1(b) to add the words "due to the Covid-19 environment" after 24 March 2020.
- (b) **CONFIRMED** the Board **REQUEST** for data be provided with the Board papers showing actual and relative exposure to the appropriate index for fossil fuels, carbon and social media.

## **2. ADMINISTRATION**

### **2.1 Matters Arising**

The Board:

- (a) **NOTED** the Matters Arising.
- (b) **REQUESTED** the item under section 3.5 of the March 2020 minutes, requesting clarification of the assumptions with respect to dividends and imputation credits, be added to the Matters Arising.

### **2.2 Long Term Work Calendar**

The Board:

- (a) **NOTED** the Long Term Work Calendar.
- (b) **REQUESTED** the risk register and risk profile, scheduled to be presented to the May meeting in the Long Term Work Calendar, be circulated to the Board.
- (c) **NOTED** the CEO's confirmation the risk register and risk profile had been reviewed by the Audit and Risk Review Committee in February 2020 and there was nothing Management wished to bring to the attention of the Board at this time.

### **2.3 Interests Register**

The Board:

- (a) **NOTED** the Interests Register.
- (b) **CONFIRMED** no changes were required.

## **3. KEY PAPERS**

### **3.1 Chief Executive's Overview**

The Board:

- (a) **NOTED** the report.
- (b) **DISCUSSED** the content of the Chair's letter for 2020 and suggested the content could be shorter and include, for example:
  - highlights for the year
  - the Board's role and changes to the Board
  - Covid-19 – reassurance as to ongoing operations
  - responsible investment
  - information graphs, snapshots
  - separation of the commentary on the investment market performance
  - commentary from the CEO
- (c) **REQUESTED** the draft letter be circulated to the Board for review and comment.
- (d) **REQUESTED** the summary financial statements and full financial statements for one NPF scheme be forwarded to the Chair.

### 3.2 Health, Safety and Wellness Update

- (a) **DISCUSSED** the report, including leave balances.
- (b) **REQUESTED** the dashboard be circulated to the Board.

### 3.3 Annuitas Capital Market Assumptions at 31 March 2020

The Board:

- (a) **NOTED** the report and **DISCUSSED**:
  - the assumptions had been reviewed by, and are supported by, the Investment Committee;
  - the assumptions are primarily used for the asset allocation reviews and by the Actuary in completing the reviews of the schemes.
  - the inflation assumption has been revised down since the Investment Committee meeting and is now 1.6% for the next three years (same as for the RBNZ projection) and is then assumed to trend to 2% by year 5 and average 2% from years 5 to 10.
  - the volatility assumptions for Annuitas are close to those assumed by **§9(2)(b)(ii)**
  - the forward earnings yield for NZ equities.
  - when changes might be made to the Annuitas assumptions based on comparison with peer assumptions, noting this would be a matter for discussion with the Investment Committee.
- (b) **NOTED** the Annuitas Capital Market Assumptions as at 31 March 2020.
- (c) **NOTED** the Annuitas Capital Market Assumptions have been shared with the Actuary.

## 4. INVESTMENTS

### 4.1 Quarterly Investment Report

The Board:

- (a) **NOTED** the report.
- (b) **DISCUSSED**:
  - Investment performance for the quarter to 31 March 2020 was possibly the worst on record for NPF.
  - Returns from active management were also negative.
  - Both fixed income and global equities under performed.
  - The markets have rebounded in April and May.
  - DAA added value through being overweight equities versus bonds and NZD.
  - There will be a section 72 claim on the Crown.

### 4.2 Investment Update

The Board **NOTED** and **DISCUSSED** the report, including:

- Responsible investment – a draft shared statement on climate-related risk is being developed by the CFIs. All the CFIs agree with managing the risks associated with climate change and with aligning with Government policy. The differences are around implementation across CFIs.
- How NPF's active managers reflect climate risk in their investment processes.

- Management will report back to the Board on how each manager takes into account climate change and ESG in their investment processes; what direction the Board may wish to take to support the Government in reducing global warming; and on disclosure of climate-related risks, possibly with assistance of MSCI ESG Metrics.
- The work being undertaken by Management on the possibility of introducing s9(2)(a), noting the Board would like the paper on this topic to show a comparison s9(2)(a) and to address why s9(2)(a).
- The peer comparisons of investment performance and fees have been removed from the health check and will be included in the individual asset class reviews instead.
- The transactions required close out the s9(2)(b)(ii) as they do not deal with .

### 4.3 Small Cap Exposures (follow up)

The Board **NOTED** the report.

### 4.4 Fixed Income Review

#### The Board:

- (a) **NOTED** and discussed the report.
- (b) **NOTED** the existing managers have under-performed during the crisis.
- (c) **NOTED** both PIMCO and Brandywine under-performed in the GFC but made back all the underperformance plus more subsequently.
- (d) **NOTED** PGIM remains the bench core manager.
- (e) **NOTED** Colchester remains the bench manager for Brandywine.
- (f) **NOTED** Insight and several other managers will continue to be monitored.

### 4.5 Investment Committee Minutes

The Board **NOTED** the draft minutes for the Investment Committee meeting held on 7 May 2020.

## 5. SCHEMES

### 5.1 Schemes Update

The Board:

- (a) **NOTED** the report.
- (b) **DISCUSSED:**
  - The increase in 90 debts over the last three months.
  - s9(2)(a) staff have continued to operate effectively from offsite throughout Covid-19 with reduced levels of sick leave.



## **6. FINANCE**

### **6.1 Schemes and Global Asset Trust Financial Statements**

The Board **NOTED** the report.

### **6.2 Board of Trustees and Board Reserves Financial Statements**

The Board:

- (a) **NOTED** and **REVIEWED** the draft financial statements for the year ended 31 March 2020 of the Board of Trustees of the National Provident Fund.
- (b) **NOTED** the completed financial statements for the Board of Trustees of the National Provident Fund for the year ended 31 March 2020 will be submitted to the Audit and Risk Review Committee for final review on the 8th of June and resubmitted for **APPROVAL** and **ADOPTION** at the Board meeting on 16 June 2020.

## **7. PAPERS FOR NOTING**

### **7.1 Minutes of the ALCO Committee Meeting**

The Board:

- (a) **NOTED** the minutes of the ALCO Committee meetings held on 19 February 2020, 19 March 2020 and 21 April 2020 and queried the added value of these minutes being included with the Board papers.
- (b) **REQUESTED** Management review whether reporting could focus more usefully on the 'output' of rebalancing, namely the extent to which actual exposures are consistent with target weights (for each Scheme).

## **8. DELEGATED DECISIONS**

### **8.1 Board of Trustees of the National Provident Fund - Common Seal**

The Board **NOTED** the use of the Common Seal of the Board of Trustees of the National Provident Fund for the period 12 February 2020 to 13 May 2020.

### **8.2 Documents signed on behalf of the Board**

The Board **NOTED** no documents had been signed on behalf of the Board during the period 12 February 2020 to 13 May 2020.

### **8.3 Management Decisions made under Delegated Authority**

The Board **NOTED** Management's delegated decisions during financial year to 31 March 2020 and for the period 1 April 2020 to 13 May 2020.

## **9. OTHER BUSINESS**

The Board **AGREED** Board members may elect whether to attend the June meeting via Zoom or in person.

There being no other business, the meeting finished at 12.30 am.

**NEXT MEETING:** The next meeting of the Board is scheduled to commence at 8.30am on the 16 June 2020 via Zoom.

**Minutes of a meeting of**

**BOARD OF TRUSTEES OF THE NATIONAL PROVIDENT FUND  
(the Board)**

**Venue**

By circulation

**Date**

Wednesday, 20 May 2020

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**PRESENT**

Mr E Schuck (Chair)  
Mr D Mussett  
Mr W Stechman  
Mr S Ward  
Ms L Edwards  
Ms S Park

**APOLOGIES**

Nil

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1. **NPF DEFINED CONTRIBUTION AND PERSONAL SCHEMES**

The Board:

- (a) **RECEIVED** a paper summarising the Actuary's recommendations with respect to the Pension National, Lump Sum National and Meat Industry Schemes (the **Defined Contribution Schemes**) and the Pension Cash Accumulation and Lump Sum Cash Accumulation Schemes (the **Personal Schemes**) in relation to:

- Earnings Rates for the Defined Contribution and Personal Schemes;
- Transfer Value Earnings Rates for the Defined Contribution and Personal Schemes;
- Reserve distribution, if any, for the Pension Cash Accumulation Scheme;
- Section 72 claims for the employer subsidised Defined Contribution Schemes;
- Administration costs for transfer for the Defined Contribution and Personal Schemes;

together with a copy of the Actuary's letter, dated 19 May 2020, setting out her recommendations.

- (b) **RESOLVED**, based on the advice of the Actuary, to:

**Pension National Scheme**

- (i) **DECLARE**, in accordance with clause 16.1 of the Pension National Scheme trust deed, an Earnings Rate of **4.00%** per annum be applied to each Contributor's Total Credit as at 1 April 2019.
- (ii) **DETERMINE**, in accordance with clause 16.2 of the Pension National Scheme trust deed, the basis for allocating earnings on contributions paid to the Pension National Scheme during the period 1 April 2019 to 31 March 2020 shall be at the rate of **1.60%**.
- (iii) **DETERMINE**, for the purposes of clauses 31B.3 and 31B.4 of the Pension National Scheme trust deed, the Transfer Value Earnings Rate (to apply from the effective date of transfer to the date of payment of the transfer value) for the Pension National Scheme from 21 May 2020 until further notice shall be at the rate of **4.00%** per annum.
- (iv) **NOTE** there may be a section 72 claim for the Pension National Scheme for the year ended 31 March 2020.

### **Lump Sum National Scheme**

- (i) **DECLARE**, in accordance with clause 14.1 of the Lump Sum National Scheme trust deed, that an Earnings Rate of **4.00%** per annum be applied to each Contributor's Total Credit as at 1 April 2019.
- (ii) **DECLARE**, in accordance with clause 14.2 of the Lump National Scheme trust deed, the basis for allocating earnings to contributions paid to the Lump Sum National Scheme during the period 1 April 2019 to 31 March 2020 shall be at the rate of **1.60%**.
- (iii) **DETERMINE**, for the purposes of clauses 22B.3 and 22B.4 of the Lump Sum National Scheme trust deed, the Transfer Value Earnings Rate (to apply from the effective date of transfer to the date of payment of the transfer value) for the Lump Sum National Scheme from 21 May 2020 until further notice shall be at the rate of **4.00%** per annum.
- (iv) **NOTE** there may be a section 72 claim for the Lump Sum National Scheme for the year ended 31 March 2020.

### **Meat Industry Scheme**

- (i) **DECLARE**, in accordance with clause 16.1 of the Meat Industry Scheme trust deed, that an Earnings Rate of **4.00%** per annum be applied to each Contributor's Total Credit as at 1 April 2019.
- (ii) **DETERMINE**, in accordance with clause 16.3 of the Meat Industry Scheme trust deed, the basis for allocating earnings to contributions paid to the Meat Industry Scheme during the period 1 April 2019 to 31 March 2020 shall be at the rate of **2.00%**.
- (iii) **DETERMINE**, for the purposes of clauses 27B.3 and 27B.4 of the Meat Industry Scheme trust deed, the Transfer Value Earnings Rate (to apply from the effective date of transfer to the date of payment of the transfer value) for the Meat Industry Scheme from 21 May 2020 until further notice shall be at the rate of **4.00%** per annum.
- (iv) **NOTE** there may be a section 72 claim for the Meat Industry Scheme for the year ended 31 March 2020.

### **Lump Sum Cash Accumulation Scheme**

- (i) **DECLARE**, in accordance with Clause 11.1 of the Scheme trust deed, an Earnings Rate of **4.00%** per annum to apply from 21 May 2020 until further notice.
- (iii) **DETERMINE**, for the purposes of clauses 19B.3 and 19B.4 of the Lump Sum Cash Accumulation Scheme trust deed, the Transfer Value Earnings Rate (to apply from the effective date of transfer to the date of payment of the transfer value) for the Lump Sum Cash Accumulation Scheme from 21 May 2020 until further notice shall be at the rate of **4.00%** per annum.

### **Pension Cash Accumulation Scheme**

- (i) **DECLARE**, in accordance with Clause 11.1 of the Scheme trust deed, an Earnings Rate of **4.00%** per annum to apply from 21 May 2020 until further notice.

- (ii) **DETERMINE**, for the purposes of clauses 23B.3 and 23B.4 of the Pension Cash Accumulation Scheme trust deed, the Transfer Value Earnings Rate (to apply from the effective date of transfer to the date of payment of the transfer value) for the Pension Cash Accumulation Scheme from 21 May 2020 until further notice shall be at the rate of **4.00%** per annum.
- (iii) **DETERMINE**, based on the advice of the Actuary, that in terms of clause 13.4.1 of the Pension Cash Accumulation Scheme trust deed, there is no further distribution to contributors from the Reserve Account for the year ended 31 March 2020.

**2. ALL DEFINED CONTRIBUTION AND PERSONAL SCHEMES**

The Board, based on the advice of the Actuary **APPROVED** individual transfer values for all Defined Contribution and Personal Schemes being reduced by an amount equal to the administration cost of transfer, in cases where the solvency margin is less than or equal to 0%, or greater than or equal to 10%.

RELEASED UNDER THE OFFICIAL INFORMATION ACT

**Minutes of a meeting of**

**BOARD OF TRUSTEES OF THE NATIONAL PROVIDENT FUND (the Board)**

**Venue**

Level 12, the Todd Building, 95 Customhouse Quay, Wellington, or Video Conference via Zoom

**Date**

**Tuesday, 16 June 2020** commencing at 8.30 am

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**PRESENT** Via Zoom Mr E Schuck (Chair)  
Mr D Mussett

In Person Mr S Ward  
Mr W Stechman  
Ms S Park  
Ms L Edwards

**IN ATTENDANCE**

Mr S Tyler  
Ms P Drury  
Mr P Bevin

s9(2)(a), Ms N Rumsey, Mr P McCaffrey and s9(2)(a) for the investment items

Ms F Morgan and Mr Silvio Bruinsma (in person) and s9(2)(a) s9(2)(a), Deloitte Limited (via Zoom) – for agenda items 3.4, 3.5, 3.6, 3.7, 3.8 and 3.9

**APOLOGIES**

Nil

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The Board initially met in the absence of Management.

All Board members confirmed there were no specific interests to declare.

The Board meeting commenced at 9.10 am.

**1. MINUTES OF THE BOARD MEETINGS**

The Board:

- (a) **NOTED** and **AGREED** the minutes of the Board meeting held on 19 May 2020.
- (b) **NOTED** and **AGREED** the minutes of the Board meeting held on 20 May 2020.

**2. ADMINISTRATION**

**2.1 Matters Arising**

The Board:

- (a) **NOTED** the Matters Arising.
- (b) **REQUESTED** the full Risk Register, currently provided to the Audit and Risk Review Committee, be included with the papers for the October 2020 Board meeting and be circulated annually to the Board going forward.

## 2.2 Long Term Work Calendar

The Board:

- (a) **NOTED** and **DISCUSSED** the Long Term Work Calendar.
- (b) **DISCUSSED** the timing for presentation of the financial statements to the Audit and Risk Review Committee and the Board for review.
- (c) **REQUESTED** Management confirm proposed subject(s) for discussion with the Actuary at the October 2020 meeting.

## 2.3 Interests Register

The Board:

- (a) **NOTED** the Interests Register.
- (b) **CONFIRMED** no changes were required.

## 3. KEY PAPERS

### 3.1 Chief Executive's Overview

The Board:

- (a) **NOTED** the report.
- (b) **NOTED** Management is undertaking a review of Covid-19 from an operational perspective and will provide a paper to the Board covering, for example, what went well, the potential areas for savings/efficiencies, lessons learned.
- (c) **REQUESTED** Management modify the Board evaluation tool – self assessment questions for NPF, including excluding the 12 months trend and adding a comment section to the right, then circulate the form to the Board for completion and return to Mr Hunt, the Risk and Compliance Officer, who will summarise the responses for the Board.
- (d) **REQUESTED** Management create a strawman NPF strategy document, identifying in particular what success looks like, for circulation and discussion with the Board.
- (e) **REQUESTED** commentary from Management on cyber security risk management including where the Board is positioned compared to industry practice.
- (f) **DISCUSSED** the Chair letter to members and **REQUESTED** Management circulate the draft to Board members for review and comment.

### 3.2 Health, Safety and Wellness Update

The Board **NOTED** and **DISCUSSED** the report, including staff leave balances.

### 3.3 Draft Minutes of the Audit and Risk Review Committee

The Board **NOTED** the draft minutes of the Audit and Risk Review Committee held on 8 June 2020.

### 3.4 Financial Statements Review Process

The Board **NOTED** the report on the financial statements review process.

### 3.5 Report to the Audit and Risk Review Committee for the year ended 31 March 2020

The Board:

- (a) **WELCOMED** Mr Bruinsma and **s9(2)(a)** of Deloitte Limited to the meeting for discussion of agenda items 3.3 to 3.9 inclusive.
- (b) **RECEIVED** comment from and **DISCUSSED** with Mr Bruinsma the report on the financial statements audit for the year ended 31 March 2020, including:
- it has been a challenging year, particularly given Covid-19.
  - received an update on the status of the audits, noting it is expected the audit will be closed out over the next week.
  - regulatory matters – the Office of the Auditor General requires all audit reports to include emphasis of matter. Emphasis of matter is commentary on something of fundamental importance to the financial statements that the auditor should bring to the attention of the reader, eg reporting on going concern basis, contingent transactions. This year the Auditor General has requested emphasis of matter commentary covering Covid-19 as there could potentially be valuation uncertainty. The proposed wording will be circulated to the Board by the Chief Financial Officer.
  - subsequent events – this year, given there are no subsequent events to record, the note will be renamed Covid-19.
  - SIPSP – disclosure of adjustments to asset allocation ranges has been included in the notes to the financial statements and going forward the changes to the SIPSP will be published promptly on the NPF website.

### 3.6 Representations

The Board:

- (a) **DISCUSSED** Management's responses to section 10-13 of the questionnaire.
- (b) **REVIEWED** and **COMPLETED** section 14.
- (c) **AUTHORISED** the Chair and Chair of the Audit and Risk Review Committee to sign (via electronic signature) the questionnaire on behalf of the Board.
- (d) **NOTED** the representations from Management.
- (e) **REQUESTED:**
- a change to page 2 of the representation letter from the Board to the Auditor to remove the word "additional" and at the end of the paragraph headed Representations remove the text about the provision of information.
  - next year the representations letters be updated (eg removing the reference to hereinafter and deleting the colon at the end of the first page and merging with the text at the top of page 2) and consolidated into one letter that all members of the Management team sign.
  - Management review and report back on the use of expected investment returns by the Actuary versus minimum risk rates and why.
- (e) **AUTHORISED** the Chair and Chair of the Audit and Risk Review Committee to sign (via electronic signature) the representation letters to the Auditor.

### 3.7 Financial Statements – Board of Trustees of the National Provident Fund

The Board:

- (a) **NOTED** the draft financial statements for the Board of Trustees of the National Provident Fund for the year ended 31 March 2020.
- (b) **RESOLVED** to:
  - (i) **APPROVE** the financial statements for the Board of Trustees of the National Provident Fund for the year ended 31 March 2020.
  - (ii) **AUTHORISE** the Chair and the Chair of the Audit and Risk Review Committee to sign (via electronic signature), on behalf of the Board, the financial statements for the Board of Trustees of the National Provident Fund for the year ended 31 March 2020.

### 3.8 Financial Statements – Global Asset Trust

The Board:

- (a) **NOTED** the review undertaken by the Audit and Risk Review Committee of the financial statements for the Global Asset Trust for the year ended 31 March 2020.
- (b) **REQUESTED** Note 6.5.2 – the note be amended to:
  - remove the word “invested” where inserted.
  - add a sentence explaining the variance between the asset/liability values as at March 2019 and March 2020 is due primarily to currency volatility.
- (b) **RESOLVED** to:
  - (i) **APPROVE** the financial statements for the Global Asset Trust for the year ended 31 March 2020.
  - (ii) **AUTHORISE** the Chair and the Chair of the Audit and Risk Review Committee to sign (via electronic signature), on behalf of the Board, the financial statements for the Global Asset Trust for the year ended 31 March 2020.

### 3.9 Financial Statements – Schemes

The Board:

- (a) **NOTED** the review undertaken by the Audit and Risk Review Committee of the financial statements for the Pension National Scheme, the Aircrew Superannuation Scheme and the National Provident Pension Scheme for the year ended 31 March 2020.
- (b) **REQUESTED** amendments to the notes to the financial statements as follows:
  - Strategic asset allocation – investment:
    - Note to the financial statements for each scheme is updated confirming changes to the SIPSP will be published promptly.
    - Investment assets - reference to asset classes is changed from “New Zealand equities and overseas equities” to “equities.”
  - Financial risk management – final paragraph, scaling - note for each scheme is updated to 1.1, rather than 1.10%.
  - Aircrew Scheme – note 11.2 – word in amendment to first bullet under the table is changed from “increase” to “decrease.”



- (c) **NOTED** Management will be reviewing the asset-based costing model later this year.
- (b) **RESOLVED**:
- (i) **SUBJECT** to the amendments requested above, to **APPROVE** the financial statements for the nine schemes, namely -
- Pension National Scheme
  - Lump Sum National Scheme
  - Meat Industry Scheme
  - DBP Contributors Scheme
  - DBP Annuitants Scheme
  - Aircrew Superannuation Scheme
  - Pension Cash Accumulation Scheme
  - Lump Sum Cash Accumulation Scheme, and
  - National Provident Pension Scheme
- for the year ended 31 March 2020.
- (ii) **AUTHORISE** the Chair and the Chair of the Audit and Risk Review Committee to sign (via electronic signature), on behalf of the Board, the financial statements for the above nine schemes for the year ended 31 March 2020 **PROVIDED** there are no material changes. If the changes are material, then the financial statements are to be recirculated to the full Board for approval.
- (c) **NOTED** the Auditor's expectation the financial statements will be completed and available for signing by 23 June 2020. The Auditor will send a confirmation email to the Chair and the Chief Executive once the audit process has been completed.

### 3.10 Section 67 (1A) Report to the Minister of Finance

The Board:

- (a) **REVIEWED** the report.
- (b) **REQUESTED** the wording and table on under section A1 be updated to provide for three columns, namely the benchmark, the benchmark with tilting and the actual asset allocations, similar to the reporting provided in the notes to the financial statements for the schemes.
- (b) **APPROVED** the report **SUBJECT TO** the changes noted above.

### 3.11 National Provident Pension Scheme – Pension Increase

The Board:

- (a) **NOTED** and **DISCUSSED** the report.
- (b) **RESOLVED** there be no pension increase for the National Provident Pension Scheme for the year ended 31 March 2020.

### 3.12 s9(2)(i) [REDACTED]

s9(2)(i) [REDACTED]

s9(2)(i) [REDACTED]

s9(2)(i) [REDACTED] s9(2)(i) [REDACTED]

s9(2)(i) [REDACTED]

s9(2)(i) [REDACTED]

s9(2)(i)

s9(2)(i)

s9(2)(i)

### 3.13 Minimum Risk Rates 31 March 2020

The Board:

- (a) **NOTED** the Minimum Risk Rates (**MRRs**) for the NPF Defined Benefit Schemes as at 31 March 2020.
- (b) **NOTED** the Annuitas MRRs will be used for the NPF Defined Benefit Schemes for Board reporting, disclosure in the financial statements and the strategic asset allocation reviews (including for determining whether the investment strategy is adding value compared to the additional risk being taken).
- (c) **NOTED** the MRRs are notably lower than 31 March 2019 which, all else being equal, is expected to raise the present value of the liabilities in the actuarial valuations.

### 3.14 Schemes: DBP Contributors Scheme, DBP Annuitants Scheme and Aircrew Scheme

#### A. Basis for determining the transfer of assets between the DBP Contributors Scheme and the DBP Annuitants Scheme.

The Board:

- (a) **NOTED** the report on the basis for determining the transfer of assets between the DBP Contributors Scheme and the DBP Annuitants Scheme.
- (b) **REQUESTED** Management confirm why the factors for males are higher than for females.
- (c) Based on the recommendations of the Actuary, **RESOLVED** to:
  - (i) **ADOPT** the 202/2021 transfer basis, set out in the Actuary's report dated 4 June 2020, and the transfer factors, calculated using the transfer basis as set out in Appendix A of the report, with effect from 30 June 2020, for the purposes of clause F9 of the trust deed of the DBP Contributors Scheme and clause 8 of the trust deed of the DBP Annuitants Scheme;
  - (ii) continue to **REVIEW** the transfer basis on an annual basis.

#### B. DBP Contributors Scheme – Actuarial Review

The Board:

- (a) **NOTED** the report on the actuarial review for the DBP Contributors Scheme, as at 31 March 2020.
- (b) **RESOLVED** to **ACCEPT** the Actuary's recommendations that:
  - (i) Employer contributions to the DBP Contributors Scheme increase as recommended in the actuarial review as at 31 March 2019, to 4 times contributors' contributions for the period 1 April 2021 to 31 March 2022 and defer any decision of the rate to apply from 1 April 2022 until the results of the statutory valuation as at 31 March 2021 are known.

(ii) The Board does not amend the trust deed to s9(2)(i) from the DBP Contributors Scheme.

(b) **NOTED** the Actuary's recommendations that:

(i) The next actuarial review of the DBP Contributors Scheme be carried out as at 31 March 2020 to review the employer contribution rate recommendation.

(ii) The investment strategy of the Scheme is reviewed at least every five years, i.e. before or during 2024 (a review is currently being undertaken).

(ii) The Board continue to advise contributors who have reached age 65 of the implications of remaining in the Scheme after age 65.

### C. Aircrew Superannuation Scheme – Actuarial Review

The Board:

(a) **NOTED** the Actuary provided a letter confirming the actuarial position the Aircrew Superannuation Scheme as at 31 March 2020.

(b) **DISCUSSED** the removal of the allowance for future salary increases and **REQUESTED** further explanation from Management.

(c) **NOTED** the deferral of the actuarial review until 30 June 2020, when the movements and elections of members will be better known.

### 3.15 Schemes – Section 72

The Board:

(a) **NOTED** the report.

(b) **RESOLVED:**

(i) In terms of section 72 of the National Provident Fund Restructuring Act 1990, **TO MAKE A CLAIM** on the Minister for those deficits (and increased deficit) arising from the application of the 4% minimum earnings rate to the Schemes listed below in the year ended 31 March 2020.

Pension National Scheme	\$ 17,403
Lump Sum National Scheme	\$ 4,680
Meat Industry Scheme	\$ 5,017

**Total** **\$ 27,100**

(ii) To **APPROVE** the form of the letter to the Minister of Finance.

(iii) To **AUTHORISE** Management to progress the claim with the Minister and Treasury.

### 3.16 Board Meeting Dates 2021

The Board:

(a) **NOTED** the paper.

- (b) **APPROVED** the following meeting dates for 2021 for the Board and the Audit and Risk Review Committee:

**Board meeting dates**

Month	Date
Jan	No meeting
<b>Feb</b>	<b>Thurs 25<sup>th</sup></b>
<b>March</b>	<b>Tue 30<sup>th</sup></b>
April	No meeting
<b>May</b>	<b>Tue 18<sup>th</sup></b>
<b>June</b>	<b>Fri 25<sup>th</sup></b>
July	No meeting
<b>Aug</b>	<b>Tue 24<sup>th</sup></b>
Sept	No meeting
<b>Oct</b>	<b>TBC</b>
Nov	No meeting
<b>Dec</b>	<b>Tbc</b>

**Audit & Risk Review Committee meeting dates:**

Month	Date
March	Thurs 11 <sup>th</sup>
June	Fri 18 <sup>th</sup>
Aug	Tue 24 <sup>th</sup>
Oct	Tbc

- (c) **NOTED** the Investment Committee will have a teleconference 2 weeks prior to the Board meeting if there are papers of significance for review.

## **4. INVESTMENTS**

### **4.1 Investment Update**

The Board **NOTED** and **DISCUSSED** the report, including:

- The total fund return is ahead of benchmark for s9(2)(i) gross with the DAA position a positive contributor to performance.
- Management is collating data from a survey of managers on climate change and expects to be able to provide an update to the next Board meeting.

### **4.2 Individual Style Premia Returns**

The Board **NOTED** the report.

### **4.3 Statement of Investment Policies, Standards and Procedures (SIPSP) Review**

The Board:

- (a) **NOTED** and discussed the report.
- (b) **APPROVED** the SIPSP as presented for publication promptly on the website.

#### 4.4 Private Equity

The Board:

(a) **NOTED** the report.

(b) **AGREED** s9(2)(i)

#### 4.5 Investments Road Map

The Board:

(a) **NOTED** the investment road map as presented.

(b) **AGREED** with the reallocation of the papers on Alternatives and Responsible Investment, scheduled for Q3, to Q4.

(c) **NOTED** the review of the notional portfolio for the DBP Annuitants Scheme will be commenced in Q4.

(d) **REQUESTED** the Matters Arising be updated to show item 5/12/19 4.3 Investment Team Road Map, Responsible Investment as completed as this is now a standing item on the Board agenda.

#### 4.6 Investment Committee Minutes

The Board **NOTED** the draft minutes for the Investment Committee meeting held on 5 June 2020.

### 5. SCHEMES

#### 5.1 Schemes Update

The Board **NOTED** the report.

#### 5.2 Pensioner Mortality Investigation 2017-2020

The Board:

(a) **NOTED** the report.

(b) **REQUESTED** a copy of the full report be circulated to s 9(2)(a).

### 6. FINANCE

#### 6.1 Schemes and Global Asset Trust Financial Statements to 31 May 2020

The Board **NOTED** the draft results per asset class to 31 May 2020.

#### 6.2 Board of Trustees of the National Provident Fund and Board Reserves - Financial Statements to 30 April 2020

The Board **NOTED** and **REVIEWED** the draft financial statements for the month ending 30 April 2020 for the Board of Trustees of the National Provident Fund.

### 7. PAPERS FOR NOTING

#### 7.1 Minutes of the ALCO Committee Meeting

The Board:

- (a) **NOTED** the minutes of the ALCO Committee meetings held on 20 May 2020.
- (b) **NOTED** the request for inclusion in the Board papers of the report on the benchmark and actual asset allocations is with Management for action.

## **8. DELEGATED DECISIONS**

### **8.1 Board of Trustees of the National Provident Fund - Common Seal**

The Board **NOTED** there had been no use of the Common Seal of the Board of Trustees of the National Provident Fund for the period 14 May 2020 to 10 June 2020.

### **8.2 Documents signed on behalf of the Board**

The Board **NOTED** no documents had been signed on behalf of the Board during the period 14 May 2020 to 10 June 2020.

### **8.3 Management Decisions made under Delegated Authority**

The Board **NOTED** Management's delegated decisions during financial year to 14 May 2020 to 10 June 2020.

## **9. OTHER BUSINESS**

There being no other business, the meeting finished at 12.55 pm.

**NEXT MEETING:** The next meeting of the Board is scheduled to commence at 8.30am on the 25 August 2020.

RELEASED UNDER THE OFFICIAL INFORMATION ACT

**Minutes of a meeting of**

**Venue**

**Date**

**BOARD OF TRUSTEES OF THE NATIONAL PROVIDENT FUND  
(the Board)**

Level 12, the Todd Building, 95 Customhouse Quay, Wellington, telephone or video conference via Zoom

**Tuesday, 25 August 2020** commencing at 9.00 am

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<b>PRESENT</b>	Via Zoom	Mr E Schuck (Chair) Mr D Mussett Ms L Edwards
	Via Phone	Mr S Ward
	In Person	Mr W Stechman Ms S Park
<b>IN ATTENDANCE</b>		Mr S Tyler Mr P Bevin (Via Phone) s 9(2)(a), Mr P McCaffrey and s 9(2)(a) for the investment items s 9(2)(a)
<b>APOLOGIES</b>		Nil

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The Board initially met in the absence of Management.

All Board members confirmed there were no specific interests to declare.

The Board meeting commenced at 9.30 am.

## **1. MINUTES OF THE BOARD MEETINGS**

The Board **NOTED** and **AGREED** the minutes of the Board meeting held on 16 June 2020.

## **2. ADMINISTRATION**

### **2.1 Matters Arising**

The Board:

- a) **NOTED** the Matters Arising.
- b) **REQUESTED** Management report back to the Board at the October meeting on the review of Covid-19 from an operational perspective as discussed at the meeting on 16 June 2020.

### **2.2 Long Term Work Calendar**

The Board **NOTED** the Long-Term Work Calendar.

### **2.3 Interests Register**

The Board:

- a) **NOTED** the Interests Register.
- b) **CONFIRMED** an update for Mr Ward was required as previously advised to Management.

### **3. KEY PAPERS**

#### **3.1 Chief Executive's Overview**

The Board:

- a) **NOTED** the report.
- b) **NOTED** s 9(2)(a) would be giving a verbal update on his review of GSFA's investment operations to the GSFA on 7 October 2020 before presenting his final report on 20 November 2020 and **AGREED** the Chair will contact the Chair of GSFA around logistics for the Board to attend the verbal update by s 9(2)(a).
- c) **REQUESTED** Management circulate the last review by s 9(2)(a) and the GSFA's response to the Board.

#### **3.2 Health, Safety and Wellness Update**

The Board **NOTED** the Health and Safety Update and the dashboard.

#### **3.3 SAA Review: Lump Sum Cash Accumulation Scheme**

- a) **NOTED** there is no proposed change to the allocation to equities as the current growth/income mix is expected to meet the Scheme's return objective.
- b) **APPROVED** the allocation to fixed interest in its entirety to F Fund.
- c) **APPROVED** the next review of the asset allocation of the Lump Sum Cash Accumulation Scheme be undertaken in one year's time, as at 30 June 2021.

#### **3.4 F2 Fund and Aircrew Scheme**

The Board:

- a) **NOTED** that, if the Board approves the LSCAS recommendations, the size of the F2 Fund will be limited to \$16 million, s 9(2)(i).
- b) **APPROVED** the new allocation for the Aircrew Scheme being 57% in F Fund instead of 28.5% in the F Fund and 28.5% in F2 Fund.
- c) **NOTED** there are no changes to the Aircrew Scheme's allocation for the other funds it invests in, namely E, O or A Funds.
- d) **NOTED** the expected volatility of the Aircrew Scheme will remain at 5.0% and the expected return increases by 0.1% to 2.8% per annum.
- e) **NOTED** there will be no assets in the F2 Fund so that Fund can be closed.
- f) **APPROVED** the termination of s 9(2)(b)(ii)



### 3.5 Catastrophe Risk Exposure

The Board:

- a) **DISCUSSED** the report and **NOTED:**
- o The report did not s 9(2)(i)
  - o In NPF the assets would likely be subject to FDR and would not be able to offset losses.
  - o If FDR applies, s 9(2)(i)
- b) **AGREED** to Management investigating the asset class further, in particular confirming the tax treatment and its flow through, and updating the report for further discussion by the Board, including the reasons why the Board has previously decided not to invest in the asset class and what has changed.

### 3.6 2020 Responsible Investment (RI) Policy Review

The Board:

- a) **NOTED** and **DISCUSSED** the report, including:
- o How the fiduciary obligation to members sits with regard to RI and the incorporation of Environmental, Social and Governance (**ESG**) factors into investment decision-making.
  - o NPF has no formal mandate with regard to RI and ESG.
  - o Current practice with regard to screening and monitoring and the different approaches taken by other CFIs.
  - o Communication of the Board's position and its preparedness in answering any questions on its position and why.
  - o The importance of understanding what our current portfolio investment is in carbon.
- b) **NOTED** this review of developments in policy and practice with regard to RI and ESG factors, in particular the conclusions in the report.
- c) **NOTED** the Government's directive that default Kiwisaver providers will have to exclude fossil fuels from next year.
- d) **NOTED** Management will review NPF's RI policy statement based on the Board discussion and present any revised wording to the next Board meeting.
- e) **REQUESTED** Management to obtain a carbon analysis of NPF's portfolio from MSCI ESG s 9(2)(i) and to explore an alternative lower carbon mandate with s 9(2)(i).
- f) **REQUESTED** Management to prepare a statement on how NPF is addressing its fiduciary duty to members in relation to RI and ESG and its obligation to the Crown as guarantor.

### 3.7 Board Self Evaluation

The Board **NOTED** the report.

### 3.8 Draft Strategic Plan

The Board **NOTED** the draft plan was with s 9(2)(a) who will forward to the Chair prior to wider circulation.

### 3.9 Legislative Compliance

The Board:

- a) **NOTED** the report
- b) **REQUESTED** Management provide more information as to why the s 9(2)(i)

## 4. INVESTMENTS

### 4.1 Quarterly Investment Report

The Board **NOTED** the report.

### 4.2 Investment Update

The Board **NOTED** the Investment update.

### 4.3 Investment Road Map

The Board **NOTED** the report.

### 4.4 SIPSP Compliance

The Board:

- a) **NOTED** s 9(2)(i) did not find any instances of non-compliance with the SIPSP.
- b) **APPROVED** the following changes to the SIPSP:
  - i. Clause 6.1, removal of the bullet points:
    - s 9(2)(ba)(i); and
    - a statement of any voting right issues.
  - ii. Clause 7.4, addition of the word "may"
    - Market risk is further managed by requiring investment managers to manage their portfolios within defined exposure limits. Those limits may include (as appropriate).
- c) **REQUESTED** Management provide further information on what restrictions apply to fixed interest mandates that limit investment in non-benchmark entities, as is suggested in s 9(2)(i).

#### 4.5 Global Custody Review

The Board:

- a) **NOTED** s 9(2)(i) [REDACTED] has been appointed to undertake a custody review covering fees, services and contract.
- b) **NOTED** Management is satisfied with the services from s 9(2)(i) [REDACTED], and s 9(2)(i) [REDACTED] so soon after the last one.
- c) **NOTED** s 9(2)(i) [REDACTED]  
[REDACTED]  
[REDACTED]
- d) **NOTED** s 9(2)(i) [REDACTED]  
[REDACTED]
- e) **NOTED** s 9(2)(a) [REDACTED] is willing to present his review to the Board by Zoom if requested.
- f) **NOTED** Management will seek Board approval for any changes to the custody fees or contract, in Q4.

#### 4.6 Global Equities Review

The Board:

- a) **NOTED** the global equities portfolio has met its excess return and risk-adjusted return expectations over all measurement periods.
- b) **NOTED:**
  - s 9(2)(j) [REDACTED]  
[REDACTED]
  - s 9(2)(j) [REDACTED]  
[REDACTED]
  - s 9(2)(j) [REDACTED]  
[REDACTED]
- c) **NOTED** s 9(2)(j) [REDACTED] and s 9(2)(j) [REDACTED].
- d) **NOTED** the global equities portfolio has performed creditably compared to other multi-manager portfolios.
- e) **REQUESTED** Management to provide comparisons with other multi-manager global equities portfolios to enable robust benchmarks.
- f) **REQUESTED** Management provide further information as to the difference in the calculation of "added value" and "alpha", and the chart used to calculate the figures for s 9(2)(i) [REDACTED] as an example.

#### 4.7 NZ Cash and Fixed Interest Review

The Board:

- a) **NOTED** s 9(2)(i) [REDACTED]  
[REDACTED]

- b) **NOTED** s 9(2)(i)

#### **4.8 Investment Committee Draft Minutes 11 August 2020**

The Board **NOTED** the report.

### **5. SCHEMES**

#### **5.1 Schemes Update**

The Board:

- a) **NOTED** the report.
- b) **REQUESTED** Management prepare an agenda for the Actuary.

### **6. FINANCE**

#### **6.1 Schemes and Global Asset Trust Financial Statements to 31 July 2020**

The Board **NOTED** the report incorporating the Schemes' financial statements for the four months to 31 July 2020.

#### **6.2 Board and Board Reserves Financial Statements to 31 July 2020**

The Board:

- a) **NOTED** the financial statements of the Board of Trustees for the four months ending 31 July 2020.
- b) **NOTED** the financial statements of the Board Reserves, for the four months ending 31 July 2020.

### **7. PAPERS FOR NOTING**

#### **7.1 Minutes of the ALCO Committee Meeting**

The Board:

- a) **NOTED** the minutes of the ALCO Committee meetings held on 22 June 2020.
- b) **NOTED** the minutes of the ALCO Committee meetings held on 21 July 2020.
- c) **NOTED** the minutes of the ALCO Committee meetings held on 18 August 2020.

### **8. DELEGATED DECISIONS**

#### **8.1 Board of Trustees of the National Provident Fund - Common Seal**

The Board **NOTED** there had been no use of the Common Seal of the Board of Trustees of the National Provident Fund for the period 11 June 2020 to 19 August 2020.

#### **8.2 Documents signed on behalf of the Board**

The Board **NOTED** the documents signed on behalf of the Board for the period 11 June 2020 to 19 August 2020.

### **8.3 Management Decisions made under Delegated Authority**

The Board **NOTED** Management's delegated decisions during financial year to 11 June 2020 to 19 August 2020.

## **9. OTHER BUSINESS**

There being no other business, the meeting finished at 1.00 pm.

**NEXT MEETING:** The next meeting of the Board is scheduled to commence at 8.30am on the 20 October 2020.

RELEASED UNDER THE OFFICIAL INFORMATION ACT

**Minutes of a meeting of**

**Venue**

**Date**

**BOARD OF TRUSTEES OF THE NATIONAL PROVIDENT FUND  
(the Board)**

Level 12, the Todd Building, 95 Customhouse Quay, Wellington, telephone or video conference via Zoom

**Tuesday, 20 October 2020** commencing at 9.00 am

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**PRESENT** Via Zoom Edward Schuck (Chair)  
Daniel Mussett

In Person Stephen Ward  
Wayne Stechman  
Sarah Park  
Louise Edwards

**IN ATTENDANCE**

Simon Tyler  
Paul Bevin  
Keith Poore, Nicky Rumsey and s 9(2)(a) for the investment items

s 9(2)(a) for the Schemes items

s 9(2)(a)

s 9(2)(a), PWC, via Zoom, for agenda item 3.3 (9.55 am to 10.45 am)

s 9(2)(h)

**APOLOGIES**

Nil

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The Board initially met in the absence of Management.

All Board members confirmed there were no specific interests to declare.

The Board meeting commenced at 9.50 am.

**1. MINUTES OF THE BOARD MEETINGS**

The Board **NOTED** and **AGREED** the minutes of the Board meeting held on 25 August 2020.

**2. ADMINISTRATION**

**2.1 Matters Arising**

The Board **NOTED** the Matters Arising.

**2.2 Long Term Work Calendar**

The Board:

- a) **NOTED** the Long-Term Work Calendar.
- b) **NOTED** Datacom has been invited to attend the 25 February 2021 meeting.
- c) **NOTED** a paper on the review of Covid-19 from an operational perspective will be provided to the December 2020 meeting, after it has been considered by the Annuitas Management Limited Board.

## 2.3 Interests Register

The Board:

- a) **NOTED** the Interests Register.
- b) **NOTED** Louise Edwards appointment to the boards of:
  - MFL Mutual Fund Limited, and
  - Superannuation Investments Limited.

## 3. KEY PAPERS

### 3.1 Chief Executive's Overview

The Board:

- a) **NOTED** the report.
- b) **AGREED** a Board meeting will be held on 8 December 2020, commencing at 8.30 am.
- c) **REQUESTED** Management give consideration to:
  - a programme of presentations by investment managers to the Board and that this matter be added to the Long Term Work Calendar; and
  - suggestions for future Board education and development opportunities.

### 3.2 Health, Safety and Wellness Update

The Board **NOTED** the Health and Safety Update and the dashboard.

### 3.3 Actuary

The Board:

- a) **WELCOMED** the Actuary, s 9(2)(a) from PWC, to the meeting.
- b) **RECEIVED** a presentation from the Actuary including:
  - Commentary on tasks undertaken by the Actuary under the agreement with the Board and the frequency of the tasks
  - Aircrew Scheme:
    - current membership
    - benefit election options
    - the current assets and employer contributions
    - the preliminary results of the actuarial review
    - investment returns
    - contributor salaries and retirement options
    - the Actuary's recommendations
- c) **AGREED** with the Actuary's conclusions with respect to the Aircrew Scheme, namely:
  - that the employer contribution rate for the Aircrew Scheme is retained at 3.9 x contributors' contributions until the next review.

- The TA/TB for the Aircrew Scheme is monitored monthly over the coming period as an indicator of the funding level for the scheme.
  - The wording of any recommendation to the Minister of Finance includes provision for a contribution holiday should the Aircrew Scheme become over funded due to volatility in returns in the short term.
- d) **NOTED** the Actuary will finalise her report on the Aircrew Scheme in early February 2021, prior to a recommendation being submitted to the Minister of Finance for implementation in April 2021.
- e) **THANKED** s 9(2)(a) for her attendance at the meeting.

### 3.4 Schemes – Expense Projections

The Board:

- a) **NOTED** the report.
- b) **DISCUSSED:**
- the model and the results
  - membership projections and triggers for wind up
- c) **QUERIED** the increase in the value of the assets and the trend in membership numbers and **REQUESTED** Management review the underlying assumptions and report back to the Board at a future meeting.

### 3.5 Cyber Security Risk Review

The Board:

- a) **NOTED** the report.
- b) **APPROVED** the engagement of s 9(2)(i) to:
- map out the risk landscape over the next five years in the context of NPF's overall appetite for change; and
  - consider a digital transformation journey to remediate the compounded risk of both ageing technology and skill rarity for the PIMS system.

### 3.6 SAA Review – DBP Contributors Scheme

The Board:

- a) **NOTED** and **DISCUSSED** the report.
- b) **NOTED** the current allocation is expected to meet the Scheme's investment objective.
- c) **CONFIRMED** there is no change to the current SAA for the DBP Contributors Scheme.
- d) **NOTED** the 3 yearly comprehensive SAA review is scheduled for 2021.



s 9(2)(h) [Redacted]

s 9(2)(h) [Redacted]

s 9(2)(h) [Redacted]

s 9(2)(h) [Redacted]

s 9(2)(h) [Redacted]

s 9(2)(h) [Redacted]

s 9(2)(h) [Redacted]

s 9(2)(h) [Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

s 9(2)(h) [Redacted]

s 9(2)(h) [Redacted]

s 9(2)(h) [Redacted]

s 9(2)(h) [Redacted]

s 9(2)(h) [Redacted]

s 9(2)(h) [Redacted]

s 9(2)(h) [Redacted]

**3.8 Appointment to the Annuitas Management Limited Board**

The Board **NOTED** the appointment of Alison O’Connell as a director of Annuitas Management Limited, representing the Government Superannuation Fund Authority.

**3.9 Annuitas Management Limited – Annual Report - Resolutions**

The Board:

- a) **CONFIRMED** Edward Schuck and Stephen Ward as the Board’s representatives at the Annual General Meeting of Annuitas Management Limited to be held in November 2020.

- b) **APPROVED** an Annuitas Management Limited shareholder's resolution on behalf of the Board under section 122 of the Companies Act that:

In respect of the Company's annual report for the year ended 30 June 2020 and pursuant to section 211(3) of the Companies Act 1993 (the **Act**), the Company need not comply with section 211(1)(g) of the Act requiring details of the number of employees and their remuneration, the value of which exceeds \$100,000, to be included in the annual report.

RELEASED UNDER THE OFFICIAL INFORMATION ACT

### 3.10 New Zealand Public Equities Portfolio

The Board:

- a) **NOTED** the report, in particular the graph showing the Median NZ Manager Rolling 5 year excess return, and **AGREED** the apparent secular decline in manager excess returns merited further consideration.
- b) **DISCUSSED**:
  - consultants views on active versus passive investment;
  - the ability of investment managers to add value;
  - the capacity constraints affecting most surveyed managers;
  - whether the market has materially changed;
  - information on benchmarking (s 9(2)(b)(ii) comments);
  - whether focussed research can identify managers that can outperform, given all we know about managers, fees and potential market changes.
- c) **REQUESTED** Management include in the Long Term Work Calendar for Investments a prospective looking paper considering the most efficient way to access and invest in the New Zealand equity market (taking into account NPF's particular position, eg tax considerations).

### 3.11 Key Risk Profile and Key Risk Register

The Board:

- a) **NOTED** the report and that terminology in the report has been and will continue to be reviewed for consistency with the Investments roadmap.
- b) **APPROVED** the current risk key risk profile and key risk register.

## 4. INVESTMENTS

### 4.1 Investment Update

The Board **NOTED**:

- the Investment update;
- the exceptional market performance since 31 March;
- the Quarterly Investment Report will be circulated as soon as it is available and will also be included with the papers for noting at the December 2020 meeting;
- Management is discussing with s 9(2)(b)(i) decarbonisation of their portfolio.
- performance, including against peers, noting Management's advice s 9(2)(i) performance had been similar to that of s 9(2)(i), the s 9(2)(i);
- the appropriateness of the size of the bet relative to fund size and tolerance for risk;
- a paper will be presented to the next Investment Committee meeting on s 9(2)(i).

### 4.2 Investment Road Map

The Board **NOTED** the report.

### 4.3 Global Equities Review: Follow Up

The Board:

- a) **NOTED** the performance comparisons with other multi-manager portfolios. s 9(2)(j)
- b) **NOTED** the possible reasons for differences between excess returns and alpha.

#### **4.4 Carbon Footprint**

The Board **NOTED** the report and **REQUESTED** the paper be resubmitted to the December Board meeting for discussion.

#### **4.5 SIPSP Compliance – PIMCO**

The Board **NOTED** PIMCO's guideline restrictions.

#### **4.6 Investment Committee Draft Minutes 6 October 2020**

The Board **NOTED** the report.

### **5. SCHEMES**

#### **5.1 Schemes Update**

The Board **NOTED** the report.

### **6. FINANCE**

#### **6.1 Schemes and Global Asset Trust - Financial Statements to 31 August 2020**

The Board **NOTED** the report incorporating the Schemes' financial statements for the five months to 31 August 2020.

#### **6.2 Board and Board Reserves Financial Statements to 31 August 2020**

The Board:

- a) **NOTED** the financial statements of the Board of Trustees for the five months ending 31 August 2020.
- b) **NOTED** the financial statements of the Board Reserves, for the five months ending 31 August 2020.

### **7. PAPERS FOR NOTING**

#### **7.1 Minutes of the ALCO Committee Meeting**

The Board **NOTED** the minutes of the ALCO Committee meetings held on 22 September 2020.

### **8. DELEGATED DECISIONS**

#### **8.1 Board of Trustees of the National Provident Fund - Common Seal**

The Board **NOTED** there had been no use of the Common Seal of the Board of Trustees of the National Provident Fund for the period 20 August 2020 to 12 October 2020.

## **8.2 Documents signed on behalf of the Board**

The Board **NOTED** the documents signed on behalf of the Board for the period 20 August 2020 to 12 October 2020.

## **8.3 Management Decisions made under Delegated Authority**

The Board **NOTED** Management's delegated decisions during financial year to 20 August 2020 to 12 October 2020.

## **9. OTHER BUSINESS**

There being no other business, the meeting finished at 12.59 pm.

**NEXT MEETING:** The next meeting of the Board is scheduled to commence at **8.30am on Tuesday, 8 December 2020.**

RELEASED UNDER THE OFFICIAL INFORMATION ACT

**Minutes of a meeting of**

**BOARD OF TRUSTEES OF THE NATIONAL PROVIDENT FUND (the Board)**

**Venue**

Level 12, the Todd Building, 95 Customhouse Quay, Wellington, telephone or video conference via Zoom

**Date**

**Tuesday, 8 December 2020** commencing at 8.30 am

---

<b>PRESENT</b>	Via Zoom	Edward Schuck (Chair) – 8.30 am until 11.01 am Daniel Mussett Sarah Park Louise Edwards
	In Person	Stephen Ward – Acting Chair from 11.01 am to 11.07 am Wayne Stechman
<b>IN ATTENDANCE</b>		Simon Tyler Paul Bevin Nicky Rumsey and s 9(2)(a) for the investment items s 9(2)(a) for the Schemes items s 9(2)(a) s 9(2)(a) for item 3.5
<b>APOLOGIES</b>		Nil

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The Board meeting commenced at 8.30 am.

The Board initially met in the absence of Management.

All Board members confirmed there were no specific interests to declare.

**1. MINUTES OF THE BOARD MEETINGS**

The Board **NOTED** and **AGREED** the minutes of the Board meeting held on 20 October 2020.

**2. ADMINISTRATION**

**2.1 Matters Arising**

The Board:

a) **NOTED** the Matters Arising.

b) **NOTED** s 9(2)(i)

**2.2 Long Term Work Calendar**

The Board **NOTED** the Long-Term Work Calendar.

## 2.3 Interests Register

The Board:

a) **NOTED** the Interests Register.

b) **NOTED:**

- s 9(2)(a) ceased as a non-executive director of s 9(2)(a)
- Daniel Mussett has been appointed as an Independent Member of the Heretaunga Tamatea Settlement Trust effective December 2020.
- Louise Edwards' elevation to the position of Chair for NZCU Baywide effective 28 October 2020.
- s 9(2)(a)
- s 9(2)(a) will cease as a director s 9(2)(a).
- Sarah Park is a director and shareholder of Rapid Response Nursing Limited effective 23 September 2020.

## 3. KEY PAPERS

### 3.1 Chief Executive's Overview

The Board:

- a) **NOTED** the report.
- b) **NOTED** the recent tender for tax advisory services for the GSFA had been completed and cost savings achieved.
- c) **DISCUSSED** the proposed meeting dates for 2021, noting the Chair will discuss the proposed meeting dates further with Board members and provide feedback to the Chief Executive and that the proposed meeting on 25 June 2021 will need to be rescheduled due to unavailability of some Board members.
- d) **AGREED** to a joint dinner with the GSFA Board and **REQUESTED** the Chief Executive co-ordinate adjacent Board meetings to facilitate this.
- e) **NOTED** the paper on Initiatives, in particular the Board's preference for more communications with members being by way of email rather than post and that a key activity for Management is the ongoing review and updating of process documentation.
- f) **REQUESTED** the Monthly Status Report on Initiatives be provided to the Board on a quarterly basis.

### 3.2 Health, Safety and Wellness Update

The Board **NOTED** the Health and Safety Update and the dashboard.

### 3.3 SAA Review: Aircrew Scheme

The Board:

- a) **NOTED** the paper and the paper under agenda item 3.6.
- b) **NOTED** the current allocation is expected to meet the Scheme's investment objective.
- c) **NOTED** the 3 yearly comprehensive SAA review is scheduled for 2021.
- d) **APPROVED** the reallocation of 1% of the assets from the A Unit to the F Unit and the O Unit respectively at 0.5% each (as per agenda item 3.6 for this meeting), with the new asset allocation from 1 December 2020 being as follows:

Unit	Old Asset Allocation	New Asset Allocation
F Unit	57.0%	57.5%
E Unit	7.5%	7.5%
O Unit	29.5%	30.0%
A Unit	6.0%	5.0%

- e) **REQUESTED** Management develop a plan to identify trigger points for moving the investment strategy for the Scheme to fixed interest and cash (on a MRR basis).

### 3.4 SAA Review – DBP Annuitants Scheme

The SAA Review for the DBP Annuitants Scheme was deferred for consideration at the February 2021 Board meeting.

### 3.5 Custodian Review

§ 9(2)(i) joined the meeting via Zoom.

The Board:

- a) **WELCOMED** § 9(2)(a) to the meeting.
- b) **RECEIVED** a presentation from § 9(2)(a) on the review of the Board's custody arrangements.
- c) **NOTED** § 9(2)(i)
- d) **APPROVED** the renewal of the custodian contract with § 9(2)(i).
- e) **APPROVED** the revised fee structure with § 9(2)(i).
- f) **AUTHORISED** the signing of the following new documentation with § 9(2)(i) under common seal by two authorised signatories:
  - i. an addendum to the Global Custody Agreement.
  - ii. an addendum to the Accounting and Related Services Agreement.
  - iii. a new fee agreement.
- g) **NOTED** either party may instigate a review of the fees after 3 years.



- h) **NOTED** Management wishes to have the same date on the documentation for both GSF and NPF and for the new fee schedule to commence with effect from 1 January 2021.
- i) **NOTED** there will be a **s 9(2)(i)**, in the absolute level of fees, if the Fund's structure and fund size remains the same.

**s 9(2)(i)**

**s 9(2)(i)**

**s 9(2)(i)**

**s 9(2)(i)**

**s 9(2)(i)**

**s 9(2)(i)**

- e) **APPROVED** the following changes to the SAAs for the Schemes:

Scheme	PNS, LSNS, MI, LSCAS		NPPS, Aircrew	
	Current SAA	Proposed SAA	Current SAA	Proposed SAA
F Unit	46.5%	47.5%	57.0%	57.5%
E Unit	9.5%	9.5%	7.5%	7.5%
O Unit	37.0%	38.0%	29.5%	30.0%
A Unit	7.0%	5.0%	6.0%	5.0%

- f) **APPROVED** the necessary changes to the SIPSP to reflect the new allocations for the Schemes.
- g) **NOTED** a formal review of **s 9(2)(i)** is scheduled for Q3 2021.

### 3.7 Responsible Investment (RI) Policy: Climate-Related Risks and Opportunities (CRO)

The Board:

- a) **ENDORSED** a general approach to ESG matters that treats financially material ESG issues as a normal part of portfolio management aimed at maximising members' financial interests while non-financial goals operate as constraints on that primary goal.
- b) **DISCUSSED** the draft policy statement on management of climate-related risks and opportunities and **REQUESTED** some amendments to the wording.
- c) **NOTED** the draft policy statement includes an obligation to report climate-related matters in accordance with the TCFD template.
- d) **AGREED** to the publication of the policy statement on the website.

### 3.8 Carbon Footprint

The Board:

- a) **NOTED** and **DISCUSSED** the paper, including:
  - o the Board is supportive of the work undertaken by Management to date;
  - o the competing interests of the members, the employers and the Crown;
  - o further discussion is required to clarify and confirm the Board's overall objective.
- b) **AGREED** the paper will be discussed again at the February 2021 Board meeting.

### 3.9 JP Morgan Tri-Party Agreement for Signing under Common Seal

The Board:

- a) **NOTED** the report.
- b) **APPROVED** the execution of the JP Morgan Tri-Party Agreement under common seal by two authorised signatories.

## 4. INVESTMENTS

### 4.1 Quarterly Investment Report

The Board **NOTED** the report.

### 4.2 Investment Update

The Board **NOTED** the report and **DISCUSSED**:

- o the equity market is up 33% since 1 April 2020;
- o total Fund performance is up 18% FYTD;
- o current DAA positions.

### 4.3 Investment Road Map

The Board **NOTED** the report.

## 5. SCHEMES

s 9(2)(i)

## 6. FINANCE

### 6.1 Schemes and Global Asset Trust - Financial Statements to 31 October 2020

The Board:

- a) **NOTED** the report incorporating the Schemes' financial statements for the seven months to 31 October 2020.
- b) **REQUESTED** the DBPA Scheme be removed from the graph for actual net investment returns given the scheme only holds sufficient assets to meet the future expected expenses, with benefit payments met on a pay as you go basis by the Crown.

## **6.2 Board and Board Reserves Financial Statements to 31 October 2020**

The Board:

- a) **NOTED** the financial statements of the Board of Trustees for the seven months ending 31 October 2020.
- b) **NOTED** the financial statements of the Board Reserves, for the seven months ending 31 October 2020.

## **9. OTHER BUSINESS**

There being no other business, the meeting finished at 11.07 am.

**NEXT MEETING:** The next meeting of the Board will be held in Wellington and is scheduled to commence at **8.30am on Thursday, 25 February 2021.**

RELEASED UNDER THE OFFICIAL INFORMATION ACT