

*Saving for your  
retirement is  
about whanau*





# HOW TO READ THIS ANNUAL REPORT

## Go to the Chairman's report on pages 2 and 3

### WHAT IS IT?

An overview of the Scheme's progress during the year.

### WHY IT MATTERS

The Chairman's report summarises the Scheme's progress during the year and explains external factors that have or could impact on the Scheme.

## Visit the credited interest rates section on pages 4 and 5

### WHAT IS IT?

It shows the credited interest rates for the investment options over different timeframes.

### WHY IT MATTERS

For many of us this is the most important section! Read this section to see the credited interest rates for each option over different timeframes. It also sets out the year's returns and describes some of the events that have influenced them.

## Take a look at the investment funds section on page 6

### WHAT IS IT?

This section focuses on the investment funds' performance.

### WHY IT MATTERS

Read this section to see the main investment funds' performance compared with both longer-term expectations and the returns for similar KiwiSaver schemes.

Cover picture: Paetau Wynyard and his daughter Tuakana. Tuakana is holding her certificate proving she was inducted as an assistant tanker driver for the purposes of family day.

## Go to costs and expenses on page 12

### WHAT IS IT?

A summary of the costs and expenses deducted during the year.

### WHY IT MATTERS

Costs and expenses impact on your savings because they are deducted from the Scheme's investment earnings before interest is applied to your account balances. Over a longer timeframe, even a relatively small difference in interest rates can have a significant impact on your retirement savings.

## See the statutory information on page 16

### WHAT IS IT?

Disclosures required by law.

### WHY IT MATTERS

This section is really about the Scheme's housekeeping. It includes important certifications relating to contributions and benefits, the Scheme's viability and a summary of the Scheme's financial statements (including a comparison with the previous year).

# SCHEME SURVEY REPORT

## “Your opportunity to have your say”

A survey of the Scheme’s membership was carried out in late 2012. Its aim was to help us understand what you need to save for your retirement and whether the Scheme is meeting these needs. As part of the exercise, we also asked how satisfied you are with aspects of the Scheme such as contribution levels, investment choice, insurance cover and benefits. We also wanted to find out how you prefer to receive information about the Scheme.

Twelve percent of members responded to the survey. This is considered high by industry standards and is also an improvement on the 2010 survey.

### What you said

Results showed that overall understanding of the Scheme was high; respondents generally take a considered approach to investing and most have given some thought to retirement.

We discovered that features such as the employer subsidy, insurance cover, option to nominate beneficiaries and investment choice are highly valued. The Scheme newsletter ‘Super news’ continues to be the most widely read communication.

In the period since the last survey, usage of the Scheme website has jumped significantly. Results of the 2010 survey showed that only 7% of respondents went to the website for information. This time 80% said they valued or highly valued the website as a source of information.

Assistance preparing for retirement, a better understanding of the Scheme’s insurance cover and comparisons of the Scheme’s performance and fees with other similar schemes (and bank deposits) were identified as areas where we could help members.

### What we are doing

In light of responses to the survey, we undertake to:

- More actively promote the quarterly investment update which is posted on [www.dairysuper.superfacts.co.nz](http://www.dairysuper.superfacts.co.nz). The update includes a progress report on information provided in the annual report. For example, it shows how the Scheme is performing against its objectives and the median returns from KiwiSaver schemes as well as the before-tax returns for each of the asset classes the Scheme invests in.
- Continue to promote the Scheme’s insured benefits and as far as possible, encourage all eligible members who are not currently covered to take it up.
- Focus on saving for retirement in articles in Super news and on [www.dairysuper.superfacts.co.nz](http://www.dairysuper.superfacts.co.nz).
- Continue efforts to ensure that information about the Scheme is easy to understand and concise.

We discovered that features such as the employer subsidy, insurance cover, option to nominate beneficiaries and investment choice are highly valued.

# CHAIRMAN'S REPORT

## Strong overall results for the year

The past Scheme year has certainly reinforced how difficult it is to predict investment returns over short periods and how taking a longer-term view may serve most investors best. Notwithstanding the numerous economic, political and social difficulties facing many parts of the world over the last year, all of the Scheme's investment options provided strong overall performances. Only the Cash fund return remained subdued as shorter-term interest rates remained low in New Zealand. Growth-type assets such as shares and property led the way so options with greater exposure to these "riskier" assets provided the strongest results.

So it is pleasing to report a declared return for the last year for the Balanced fund of 10.4% after expenses and tax. This is well above our normal expectations for this fund over the longer term. This was also the case for the Growth fund which returned 12.2% for the year. However, these results do need to be seen in the context of a lacklustre 2012 Scheme year and some difficult investment periods in the early stages of the global financial crisis.

While the path is not at all smooth and straight, these periods of strong positive returns do provide some comfort that expected medium to longer-term outcomes appear to be reasonably on track.

## But the outlook is still murky

One thing that does seem apparent is that volatility can be expected to remain with us for some time yet. Volatility is where there are a number of positive and negative shifts over time rather than a steady outcome.

Looking around the world today it appears that the US economy is slowly recovering although Europe still faces some very significant hurdles. China, after some concerns during the year which also impacted on Australia, appears to have picked up again, but the internal pressures associated with its huge pace of change are substantial. Japan has embarked on a radical and different approach to its economic policies, the success of which only time will tell.

Interest rates continue to be at or close to all-time lows and many governments still wrestle with the difficult trade-off between balancing their books and keeping their economies moving. All in all, it is still as difficult to predict the immediate future as it has been for quite some time.

## The Scheme remains in good heart with strong support

Through all this the Scheme continues to be in good heart with increased membership (up by 235 to 6,663) and assets (up by \$60.8 million to \$479.2 million). It is pleasing that the growth in assets comes both from contributions from members and employer contributions, and from investment returns. Net member contributions, that is contributions after benefit payments are deducted, added \$25.3 million to the size of the Scheme during the year.

There have been increasing pressures on schemes such as ours from many directions, including from the continuous growth of KiwiSaver and numerous regulatory changes. However, the directors are very confident that the Scheme has the size and capacity to continue to deliver good benefits to its members into the future.

I need to acknowledge the commitment to the Scheme and its future from Fonterra, our principal employer sponsor, and the efforts and support of the Dairy Workers Union. The directors recognise the large role the DWU plays in supporting the Scheme generally and the practical interface it provides between the Scheme and its members in many situations.

An essential factor in our success continues to be strong on-going support from members. Thank you to everyone who completed the survey conducted in late 2012. Your responses made it clear that the financial security and peace of mind the Scheme provides is highly valued. With that in mind, our theme for this year's annual report is "Taking care of your family".

## Improved communications and member contact remains a focus

We continue to look for ways to improve our communications and contact with members. So it was pleasing to have last year's annual report recognised once again as setting the benchmark for quality in reporting to members. We were very pleased to win the Workplace Savings Communications Award, both for the best annual report and also the overall "supreme" award.

To further improve member access to the Scheme we now have a mobile site, which means you can use your smartphone to view information such as account balances, benefit estimates, investments and other personal details. Refer to page 14 to see how to access this option.



The Scheme continues to be well served by its key providers

The Scheme continues to be well served by its many key service providers, particularly Mercer as Administrator and the contact point for many members. There were no major changes to the list of providers in the past year and I thank all those support organisations for their continuing efforts.

There were no changes to the directors over the past 12 months. I also thank all my fellow directors for their continued efforts on behalf of members.



Tim McGuinness  
Chairman

“It is pleasing that the growth in assets comes both from contributions from members and employer contributions, and from investment returns.”



# CREDITED INTEREST RATES

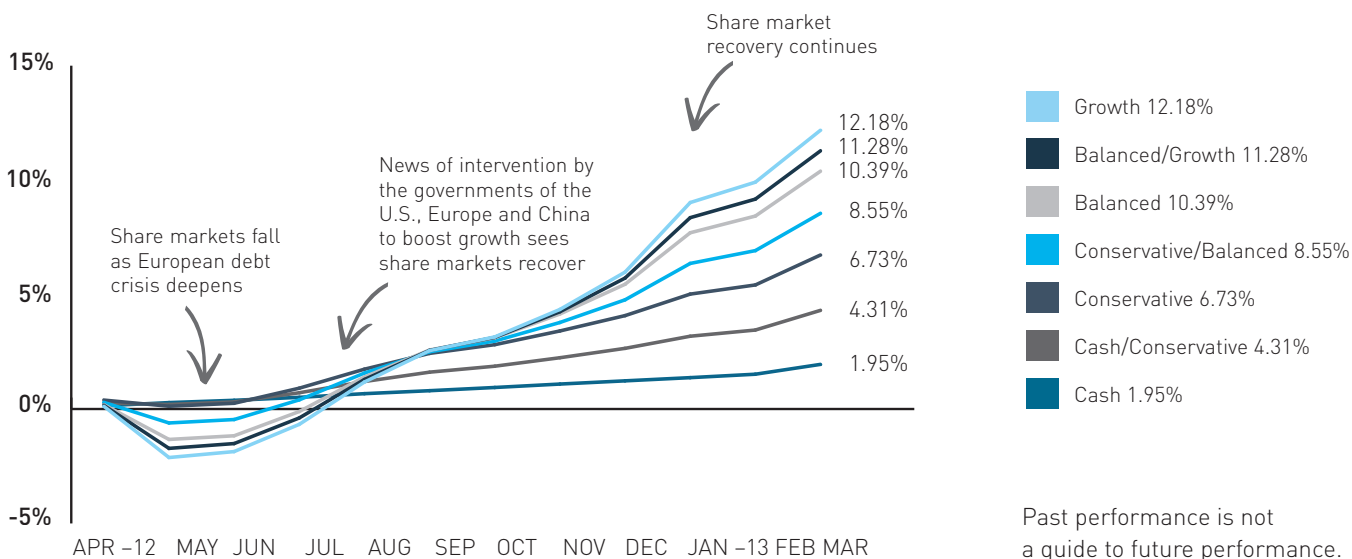
The table below shows the credited interest rates for each of the last three years and the average annual rate for the last five years, which continues to reflect the negative returns of 2008/2009.

	2011	2012	2013	Average over 5 years
Cash	1.98%	2.55%	1.95%	2.40%
Cash/Conservative	3.33%	2.95%	4.31%	3.12%
Conservative	4.68%	3.33%	6.73%	3.81%
Conservative/Balanced	5.34%	2.35%	8.55%	3.56%
Balanced	6.01%	1.34%	10.39%	3.27%
Balanced/Growth	6.40%	0.58%	11.28%	2.95%
Growth	6.78%	-0.19%	12.18%	2.61%

### WHAT ARE CREDITED INTEREST RATES?

These are the interest rates allocated to your accounts at the end of each Scheme year. The rates vary, depending on the performance of your chosen investment option less tax and expenses.

### DECLARED INTEREST RATES FOR THE YEAR TO 31 MARCH 2013





## “Altogether a much better year for the Scheme’s investments”

The global economy faced many challenges in the 2012/2013 Scheme year including the European debt crisis, spending cuts in areas such as defence and the end of tax breaks in the US, and a slowdown in the Chinese economy. However, even with these significant concerns, the Scheme’s investments had a very good year.

The Scheme’s best return for the year came from its investments in trans-Tasman shares. Both the New Zealand and Australian share markets performed very well, although the strongest returns were from New Zealand. New Zealand shares offer higher dividends than most other countries, so they tend to look attractive when interest rates are low, as they have been over the last few years. Australian shares also provided a good return, although some concerns about China (Australia’s largest trading partner) did take the gloss off a little.

International shares also had a very satisfactory year. Worries about the many challenges listed above saw most share

markets fall early in the Scheme year. However, they then bounced back from early July following the announcement of further measures in many countries to stimulate growth by reducing interest rates and making borrowing easier. Concerns about events in Cyprus and Italy, cuts in government spending and messy US politics weren’t enough to derail continued improvement for the remainder of the Scheme year. In contrast to last year, the current tax regime worked in the Scheme’s favour. The way the tax works is that income (or dividends) from international shares is assumed to be 5% and the remainder (5.5% this year) is assumed to be a capital gain and therefore not taxable.

Global property benefited as the unpredictable investment environment made such investments, which provide good dividends as well as the possibility of capital gains, attractive to investors.

Although interest rates are at record lows, the Scheme’s investments in fixed interest securities provided solid returns.

The fact that interest rates remain at record lows reflects the strong element of caution which remains in investment markets. New Zealand fixed interest investments also benefit from our status as a ‘safe haven’ when the global economy is volatile.

Cash posted another modest return as the Reserve Bank kept its official cash rate at 2.5% throughout the year.

### WHAT IS A DIVIDEND?

*A distribution by a company to its shareholders of a portion of a company’s earnings. The amount of a dividend is decided by the company’s Board of Directors.*

### WHAT DOES VOLATILE MEAN?

*Returns are described as volatile when they move up (and down) sharply.*



The Nuku whanau

JOHN NUKU is a DWU Runanga/ Fono Convenor and a logistics worker at Whareroa

“I’ve been a member of the Super Scheme coming up to 20 years, and now have substantial savings. The insurance cover gives me and my whanau comfort that whatever happens – we can look forward to the future.”

# THE SCHEME'S INVESTMENT FUNDS

## "Your super to invest as you want"

### ABOUT YOUR CHOICES

The Scheme offers you a choice of seven investment options. You can choose one of the four main funds – Growth, Balanced, Conservative and Cash, or a combination of two adjacent funds (so Cash/Conservative, Conservative/Balanced and Balanced/Growth).

As the table below shows, the Growth fund, which is expected to achieve higher returns over time than the other funds, contains more in shares and property (growth assets) and less in fixed interest and cash (income assets). The trade-off for likely better longer-term returns is greater volatility and a higher level of investment risk.

Funds that are expected to provide lower but more consistent returns with less investment risk hold more in income assets. These tend to provide steadier and lower longer-term returns than funds with a higher proportion of growth assets.

### EACH FUND HAS A DIFFERENT ASSET MIX

The funds range from the low risk/lower return Cash fund through to the higher risk/higher long-term return Growth fund. We set a benchmark (or target) asset mix for each fund.

The asset allocations for the Growth/Balanced, Balanced/Conservative and Conservative/Cash options are 50% from each of the main investment funds.

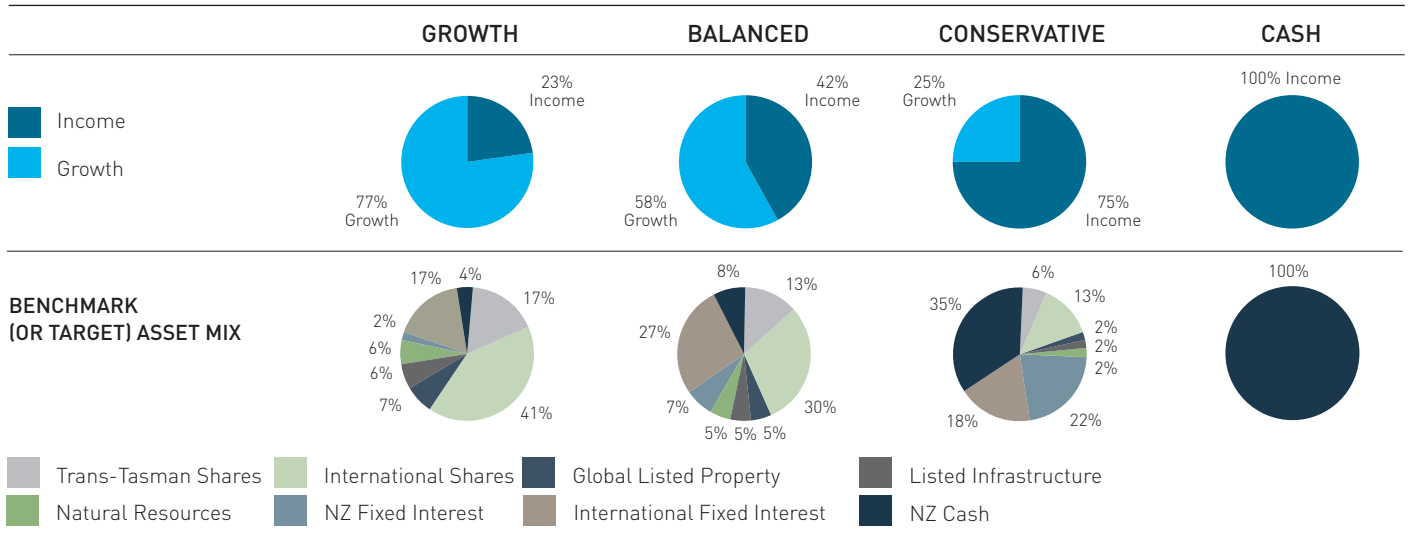
The table below shows the current benchmark asset allocations for each of the four principal funds.

### ACTION POINT

Before you change your investment option, read about the risks and returns for each option in the Scheme booklet.

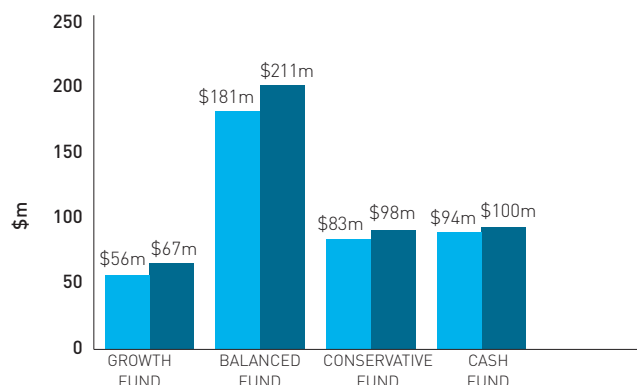
### WHAT IS INVESTMENT RISK?

The likelihood of a fund earning a negative return, reducing the value of your savings in the Scheme.



### VALUE OF MEMBER INVESTMENTS AT:

1 April 2012  
31 March 2013





# “Investment objectives – a guide to likely long-term returns”

## CHANGES TO BENCHMARK ASSET MIXES

As noted in last year’s annual report, changes to the funds’ benchmark (or target) asset allocations took effect from 1 June 2012. From that date, the assets previously invested in trans-Tasman property were moved to global listed infrastructure and natural resources. The Scheme continues to invest in global property.

## INVESTMENT OBJECTIVES

We set objectives for each of the investment funds. This provides members with a guide to the likely long-term return above inflation that a typical fund with a similar mix of investments could be expected to achieve. Remember, however, that this is a guide to what you might expect from each, not a set target.

The chart below shows the increase in inflation as measured by the Consumer Price Index (CPI), each investment fund’s objective and the returns achieved over different timeframes. The timeframes vary depending on each fund’s investment objective. For example, the Growth fund’s returns are measured over 15 years because its benchmark asset mix is designed for members looking for stronger long-term returns and who are prepared to accept volatility in the short term. On the other hand, the Conservative fund’s returns are measured over five years because it is designed to suit members who are prepared to accept lower longer-term returns in exchange for a reduced likelihood of negative returns in the shorter term.

The graph shows that the Balanced fund is now very close to meeting its objective. The Growth fund continues to make steady progress while the Conservative fund has a

little way to go because it is measured over a shorter period.

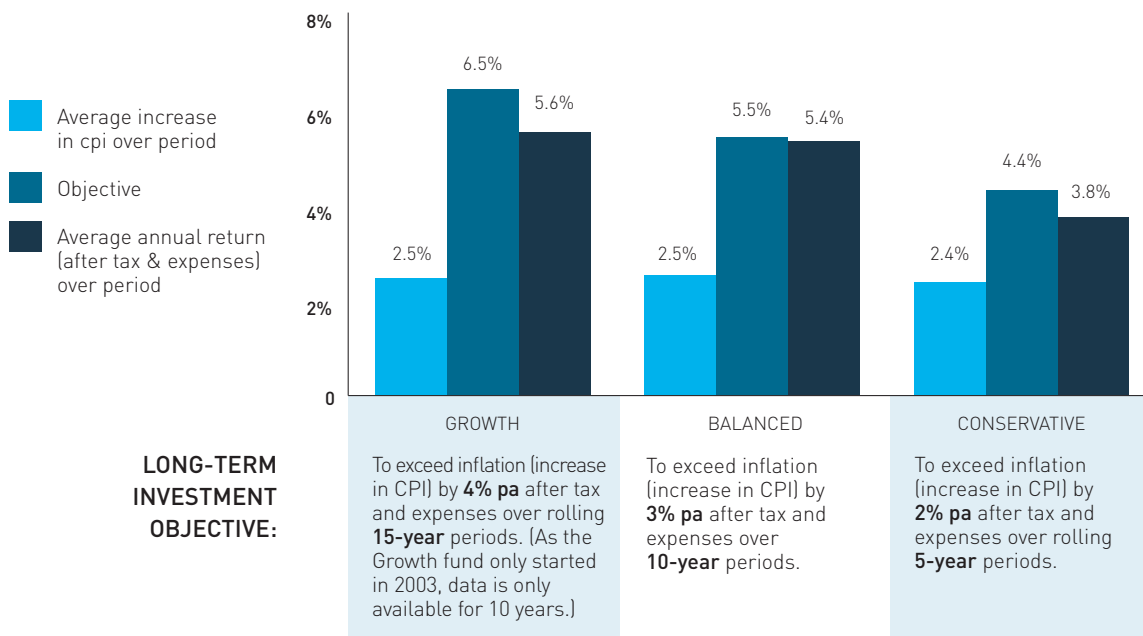
The Scheme’s Cash fund is generally expected to achieve a return close to the 90-day Bank Bill rate before tax and all expenses. For the year to 31 March 2013, the Cash fund earned 2.0% *after* tax and all expenses, compared to a 90-day Bank Bill rate *before* tax of 2.7%.

Refer to the chart on page 4 for the key events influencing investment markets over the last year.

### ACTION POINT

For a regular update on the Scheme’s investment performance (including a comparison of the Scheme’s returns with other similar schemes) sign into [www.dairysuper.superfacts.co.nz](http://www.dairysuper.superfacts.co.nz) and go to the Investments page.

## INCREASE IN INFLATION, OBJECTIVE AND ACTUAL AVERAGE RETURN TO 31 MARCH 2013



# “Performance of the Scheme’s investment funds compares favourably with KiwiSaver”

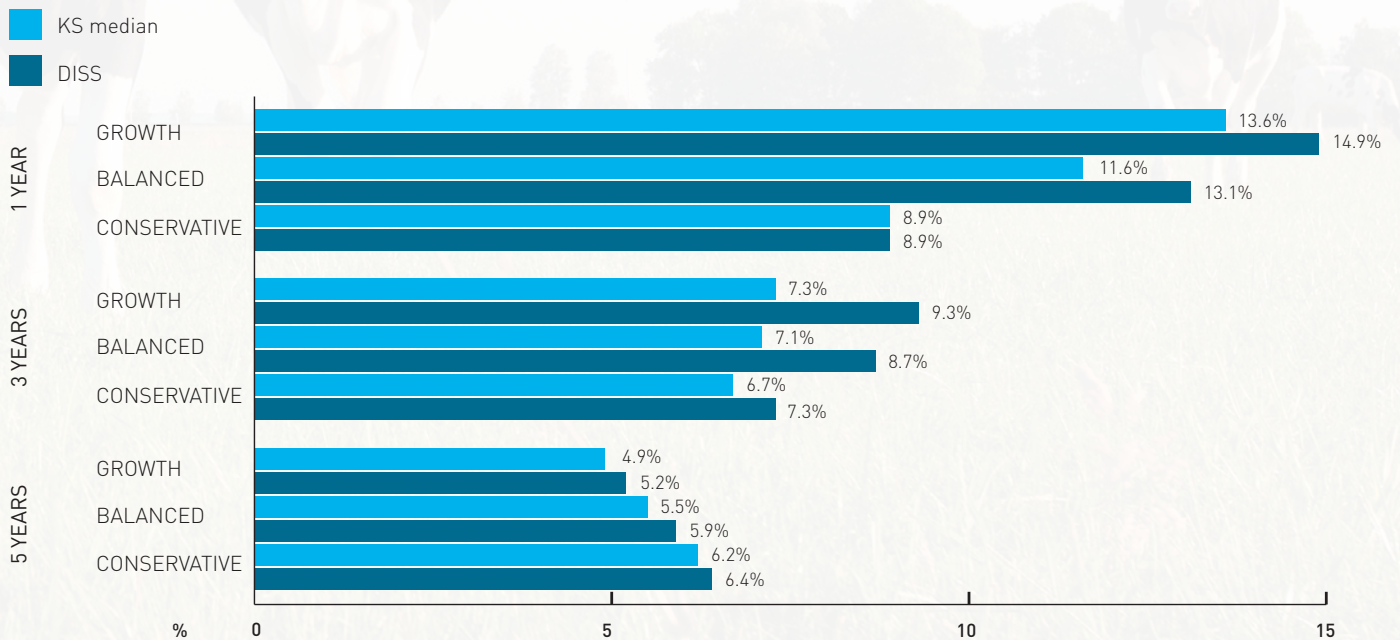
## FUND RETURNS CONTINUE TO COMPARE WELL

We monitor the performance of each of the Scheme’s investment funds to ensure returns remain competitive with (or ahead of) other similar funds.

The following graph compares each investment fund’s performance with the median (mid-point) return of KiwiSaver schemes with a similar asset mix as surveyed by Mercer.

## RETURNS COMPARED TO KIWISAVER MEDIAN

Before tax and after investment fees over 1, 3 and 5 years to 31 March 2013.



Source: Mercer KiwiSaver Survey

The graph shows that all of the investment funds have equalled or outperformed the median KiwiSaver scheme over all three periods measured.



## YOUR SCHEME'S INVESTMENT MANAGERS

The Scheme uses a range of managers to look after its investments. The managers employed by the Scheme at 31 March 2013 for each of the asset types are shown in the following table:

		\$m
<b>Trans-Tasman shares</b> Harbour Asset Management Limited OnePath (NZ) Limited		33.9
		14.4
<b>International shares</b> AMP Capital Investors (NZ) Limited <sup>1</sup>		114.1
<b>International listed property</b> AMP Capital Investors (NZ) Limited <sup>1</sup>		17.3
<b>Alternative assets<sup>2</sup></b> BT Funds Management (NZ) Limited		0.2
<b>Listed infrastructure<sup>3</sup></b> Mercer (N.Z.) Limited <sup>1</sup>		16.2
<b>Natural resources<sup>3</sup></b> Mercer (N.Z.) Limited <sup>1</sup>		15.6
<b>International fixed interest<sup>4</sup></b> Russell Investments (using Implemented Investment Solutions) <sup>1</sup>		79.9
<b>New Zealand fixed interest</b> AMP Capital Investors (NZ) Limited OnePath (NZ) Limited		17.4
		18.4
<b>New Zealand cash</b> AMP Capital Investors (NZ) Limited OnePath (NZ) Limited		75.3
		76.3
<b>Total Assets</b>		<b>479.0</b>

1 These managers are 'managers of managers', which means they utilise other investment managers with proven expertise in specialist areas. As a manager of managers, their role is to track the performance of the specialist managers. They have the power to fire ineffective managers and then hire replacements on the Scheme's behalf.

2 The final portion of the Scheme's assets invested in alternative assets was transitioned into cash and paid into the Scheme's bank account on 30 April 2013.

3 Since July 2012, the Scheme's investments previously invested in trans-Tasman listed property managed by OnePath (NZ) Limited have been replaced by investments in listed infrastructure and natural resource assets, managed by Mercer Investment Nominees (NZ) Limited.

4 Since May 2012, the Scheme's investments in international fixed interest assets previously managed by BlackRock Investment Management (Australia) Limited and Tower Asset Management have been fully managed by Russell Investments.

# “Investment managers continue to perform well”

To check on the performance of the Scheme’s investment managers, we compare their performance (before investment fees, Scheme expenses and income tax) against an appropriate index for the particular asset class they are managing.

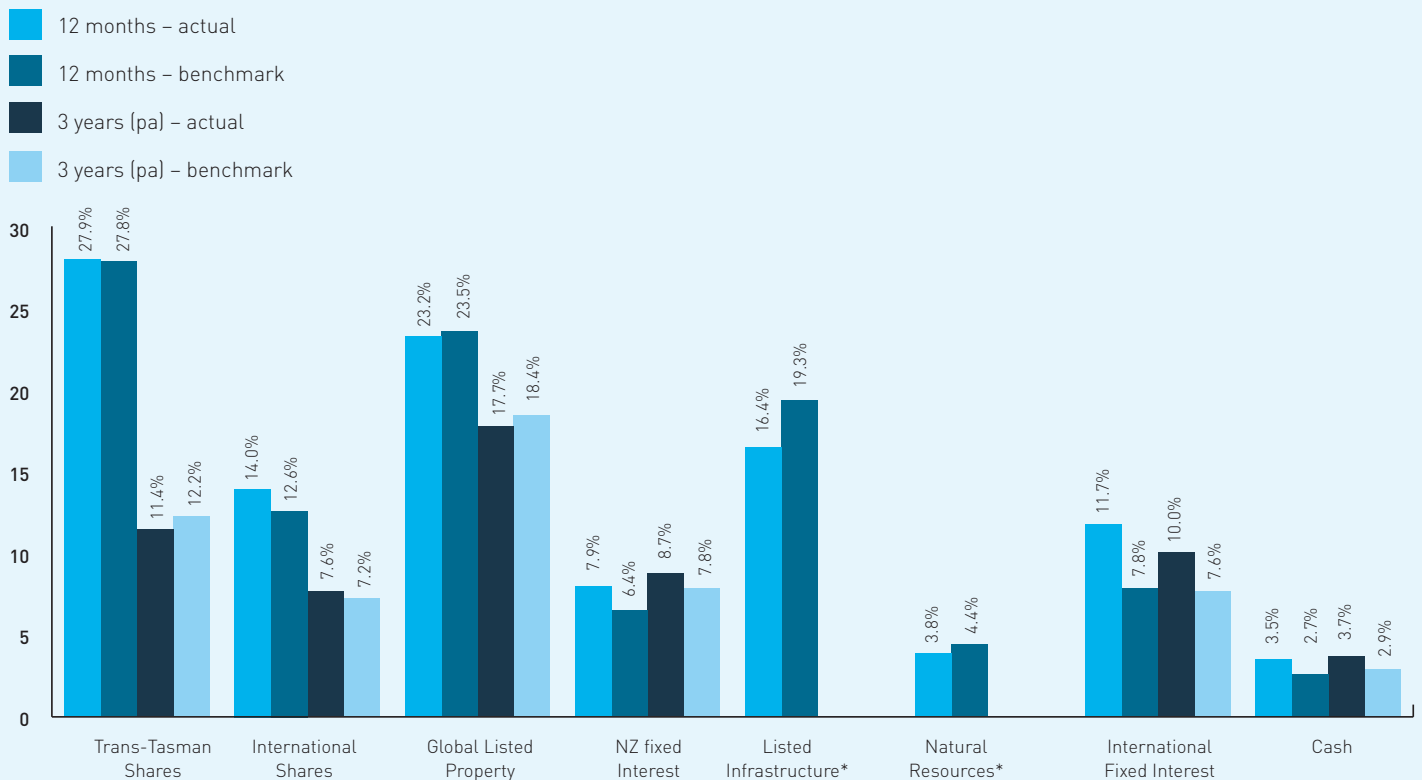
The chart shows that with the exception of slight underperformances (less than 1%) from trans-Tasman shares and global listed property over three years, all asset classes have equalled or outperformed their index over both one and three-year periods.

The trans-Tasman shares’ underperformance over three years is largely because one of this asset class’s managers holds significant investments in Australian shares while the index they are measured against is the New Zealand share market’s top 50 share holdings (NZX 50). Over the last three years, the average annual return from the NZX 50 has been 12.2%. On the other hand, the Australian share market (S&P ASX 200) has returned an average of 3.9% over the same period.

### WHAT IS AN INDEX?

A sample of assets used to track changes in the market over time. For example, returns from the Scheme’s investments in trans-Tasman shares are measured against the NZX 50, which is made up of the 50 top share holdings on the NZ share market.

## ACTUAL RETURNS VS INDEX FOR EACH ASSET TYPE OVER ONE YEAR AND THREE YEARS (PA) TO 31 MARCH 2013 (BEFORE TAX AND EXPENSES)



\* Since investments in listed infrastructure and natural resources only started in July 2012, returns and the index are only shown over eight months.





The Wynyard whanau

**PAETAU WYNYARD** is a DWU Runanga/Fono member, and is a tanker driver at Edendale and an enthusiastic advocate for the Scheme.

Paetau told us that although he has only been in the Scheme for about six years he already has a large sum in savings and excellent insurance cover. Paetau went on to say

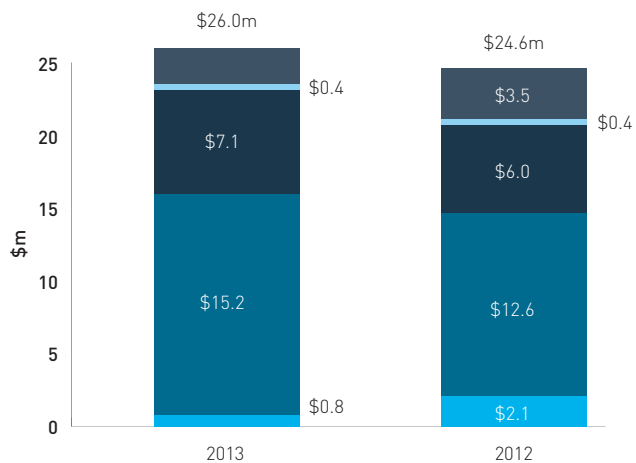
“for my wife and I, our kids and mokopuna (grandkids), we look forward to the future and whatever that brings with confidence. It’s never too late to join the Scheme and I really do wish all dairy workers would join and get the benefits. It’s one of the best things I’ve done.”

## “Scheme pays \$26.0m in benefits”

The chart below shows a breakdown of the different benefits paid from the Scheme over each of the last two years. This year, benefits paid to members totalled \$26.0m (2012:\$24.6m).

### BENEFITS PAID DURING THE YEAR

- Death and permanent incapacity\*
- Pensions\*\*
- Retirement
- Leaving service\*\*\*
- Withdrawals by individual members



\* Includes insured benefits.

\*\* Paid to members (or if applicable, a member’s spouse) who left service when benefits were paid as a pension rather than a cash lump sum.

\*\*\* Includes redundancies and transfers out.

# KEEPING AN EYE ON COSTS AND EXPENSES

We regularly monitor the Scheme’s costs and expenses to ensure that they are reasonable and competitive when compared to most other savings options.

Scheme fees and expenses fall into three main areas:

- Fees and costs related to **investing** the Scheme’s assets
- Expenses incurred **operating and administering** the Scheme
- **Insurance** premiums for the Scheme’s life and permanent incapacity insurance cover

## INVESTMENT FEES AND EXPENSES

Total investment fees and expenses paid by the Scheme last year (including those paid to its consultant) amounted to \$1.61m compared to \$1.25m the year before. Investment fees are charged on the amount of money being managed,

so if the Scheme is growing in size, total costs increase. The key measure is the cost for each dollar invested. On this basis, total investment costs in the last year represented 0.33% of average assets over the year compared with 0.29% the year before.

The fee for each investment fund varies, depending on the asset mix. Because of the additional work involved, managers

who invest in growth-type assets such as shares, typically charge higher fees than those looking after income-type assets (fixed interest and cash). This means that if you invest in the Conservative fund, for example, the investment fee will be lower than if you invest in the Growth fund. The current allowances for the various fund choices are:

INVESTMENT FUND	INVESTMENT COST ALLOWANCE (%pa)
Cash	0.2%
Conservative	0.4%
Balanced	0.6%
Growth	0.8%

We believe these levels of investment costs for the various fund options stand up well against market comparisons.



The Boynton whanau – Anthony, Laura and Jesse (aged 4). Missing Nichaiah (aged 7).

“Personally after 10 years’ membership I have over \$100,000 in savings as well as \$200,000 in insurance. Why wouldn’t you join?”

**LAURA BOYNTON** is a DWU TeRapa Site Union Delegate. Husband **Anthony** is a Process Operator at Hautapu.

They have both been members of the super scheme for over 10 years. Laura says that when they originally joined, they both knew that their employer’s contribution would double their contributions and be great as a compulsory savings scheme for when or if they ever left. Now they are married with a couple of children.

Laura says “we are rapt that the Scheme has provided for our changing circumstances. We now have peace of mind that we will have a substantial amount of money to look after us when we retire because we’re nervous there might not be a government pension by the time we reach retirement, and that if anything should happen to us, our kids will be looked after via the insurance cover.”



## OPERATING AND ADMINISTRATION EXPENSES

Operating expenses for the Scheme span a wide range of services including administration of member and general Scheme records; maintaining securities law requirements such as prospectuses; member reporting and communications; audit; legal, tax and actuarial advice; and directors' fees and costs. Some of these costs are linked to the number of Scheme members and others are fixed.

The following table provides a summary of expenses for the year compared to the previous year:

EXPENSE TYPE	2012/2013 (\$000s)	2011/2012 (\$000s)
Administration and secretarial services	413	389
Member communications	81	64
Legal, tax and actuarial consulting	181	88
Audit	37	36
Trustee directors' fees and related costs	169	128
Financial Markets Authority (FMA) levy	40	-
Other expenses	5	9
<b>Total operating cost (before tax) excluding investment costs</b>	<b>926</b>	<b>714</b>
Total operating costs as % of funds managed	0.20% (0.15% after tax)	0.18% (0.13% after tax)
Total operating cost per member	\$139 (\$100 after tax)	\$111 (\$79 after tax)

As can be seen from the table, the Scheme's total operating costs as a percentage of assets managed have increased. Legislation changes and compliance with the financial regulator, the FMA, has led to some upward pressure on costs during the 2012/2013 year. This is seen particularly in administration, legal, levies and communications areas.

We continue to maintain a close watch on these expenses. However we believe they are very reasonable overall considering the size of your Scheme with some 6,660 members and \$479.21 million in assets.

## INSURANCE PREMIUMS

The Scheme pays insurance premiums for members' death and permanent incapacity cover. Premiums paid for the year to 31 March 2013 totalled \$3.7 million covering 5,138 members. This compares to the previous Scheme year when premiums totalled \$3.6 million covering 5,036 members.

# SUPER NEWS

## NEW DEVELOPMENTS

### Stay connected with the Scheme - wherever and whenever it suits you

The Scheme now has a mobile site allowing you to use your smartphone to view information such as your account balances, estimates of your benefits, transaction history, personal details, investments and contributions.

To access the site, simply enter [www.dairysuper.superfacts.co.nz](http://www.dairysuper.superfacts.co.nz) into your smartphone browser. Alternatively you can scan the QR code below using the QR code reader in your smartphone and it will take you directly to the website.



### How to use a QR code

To use a QR code to access the website you will need a QR code reader app on your smartphone (if you don't already have one installed they are available free of charge from your app store). Simply hold the QR code reader over the QR code shown here and it will take you directly to the Scheme website. It's as easy as that, so check it out.

## LEGISLATIVE CHANGES

### New anti-money laundering legislation taking effect

The Anti-Money Laundering and Countering Financing of Terrorism Act 2009 came into force on 1 July 2013. (Money laundering is how criminals disguise the illegal origins of their money. Financers of terrorism use similar techniques to avoid detection by authorities and to protect the identity of those providing and receiving funds). There has been considerable uncertainty as to whether this legislation imposes obligations on us and we have been working with our advisers to ensure we meet any responsibilities. One potential impact on members may be that you will be required to provide a certified copy of photographic identification before all or part of your benefit can be paid.

### Minimum contribution rates increase

As noted in last year's annual report, from 1 April 2013 the minimum member and employer contribution to KiwiSaver schemes and locked in accounts in complying superannuation funds (such as the Scheme) increased from 2% to 3% of salary.

### The effects of stopping contributions on your insurance

It is very important that you understand the impact on your insurance cover if you stop contributing to the Scheme.

If you stop contributing, your cover provided by the Scheme's insured benefits ceases immediately.

If you restart your contributions, your insurance cover will automatically restart provided:

- you previously held cover; and
- you start contributing again within 18 months of the date you stopped.

If you stop contributing for more than 18 months, you will be required to complete a personal statement and be assessed by the Scheme's insurer before your cover can restart. Your cover will then be subject to any restrictions imposed by the insurer.





# STATUTORY INFORMATION

## SCHEME MANAGEMENT

Dairy Industry Superannuation Scheme Trustee Limited is the corporate trustee for the Scheme. The Board has seven directors, four elected by the employer companies, one elected by employer/s identified by the Trustee, one elected by the Dairy Division, NZ Institute of Food Science and Technology and one by the Dairy Workers Union.

It is the Board's job to ensure that the Scheme is run according to the Trust Deed and superannuation law.

The current directors of the Trustee are:

### Mark Apiata-Wade

Ko tainui toku waka

Ko taupiri toku maunga

Ko Waikato toku awa

Ko Waikato toku iwi

Ko Mark Apiata-Wade taku ingoa

Tihei mauri ora

I'm the National Organiser for the Dairy Workers Union – Te Runanga Wai U – and the DWU-elected representative/director on the Board. I've been a director for 18 years. I live in Horotiu, work in Hamilton and I am a passionate believer in the Scheme and the benefits and peace of mind it offers to workers and their families.

### Bruce Kerr

I joined the Board in March 2011 as an employer-elected director. Wellington-based, I'm widely experienced in the workplace retirement savings area, being the Executive Director of Workplace Savings NZ, (an industry membership organisation representing employers, trustees and members of workplace savings schemes, as well as

KiwiSaver and industry service providers). I am also a trustee of two other workplace super schemes.

Outside work I enjoy playing golf, running, and sharing fine wine with friends.

### Debra Marshall

I have been an employer-elected member of the Board since August 2007. My contribution to the Board stems from my role as Rewards Manager New Zealand in Fonterra Group Human Resources. Based in Auckland, I have extensive knowledge of employee benefits and superannuation in particular. Away from work I enjoy spending time with my young family.

### Tim McGuinness (Chairman)

I have been on the Board since 2007 and combine my role as Chairman with the trusteeship/directorship of a number of other significant superannuation schemes and investment funds, (including the Police and Fire Service superannuation schemes) and a number of related consultancy assignments. I bring to the Board a broad knowledge and understanding of investments, financial and superannuation matters as well as general governance experience as a director of a number of entities over the last 13 years or so. Outdoor and sporting pursuits including golf and tramping are a feature of my non-work time.

### David Scott

I became an employer-elected director of the Trustee Board in 2003. Prior to that I was a trustee of the NZ Dairy Group Superannuation Plan for a number of years, initially as a member-elected representative and later as a company representative.

In my Regional Optimisation Manager role with Fonterra, I have regular contact with a wide range of corporate, transport and manufacturing staff.

Outside work I still enjoy playing football and softball and the occasional game of golf.

### Andy Williams

I have represented the Dairy Division, NZ Institute of Food Science and Technology (which covers a wide range of food industries) on the Board since 2006. I was elected by the institute to represent the views of its members and other people in similar positions. I am employed by Fonterra as a Product Manager. In my spare time I enjoy masters rowing and watching rugby.

### Patrice Wynen

I am the Director of Fonterra's Finance Delivery Centre in Hamilton. A qualified chartered accountant, I have 20 years' experience in finance and management roles within the dairy industry and bring strong financial management skills to the Board. I am married with two children and the Chair of my children's school board of trustees.

There have been no changes to the Trustee directors since the date of the last annual report.



MARK APIATA-WADE



BRUCE KERR



DEBRA MARSHALL



TIM MCGUINNESS (CHAIRMAN)



DAVID SCOTT



ANDY WILLIAMS



PATRICE WYENEN

## TRUSTEE STATEMENT

The Trustee certifies, in accordance with the Superannuation Schemes Act 1989, that:

- All contributions required to be made to the Scheme in accordance with the terms of the Trust Deed and the most recent Actuarial Valuation Report have been made.
- All benefits required to be paid from the Scheme in accordance with the terms of the Trust Deed have been paid.
- The market value of the assets of the Scheme at 31 March 2013 equalled the total value of benefits that would have been payable had all members of the Scheme ceased to be members at that date and had provision been made for the continued payment of all benefits being paid to members and other beneficiaries at that date.

T. McGuinness  
For the Trustee

## STATUTORY INFORMATION

### ADDITIONAL COMPLYING SUPERANNUATION FUND DISCLOSURES

As at 31 March 2013:

- The market value of the Scheme's assets subject to complying fund rules is \$5,338,669 relating to 473 members.
- The value of withdrawals subject to complying fund rules totals \$209,475.

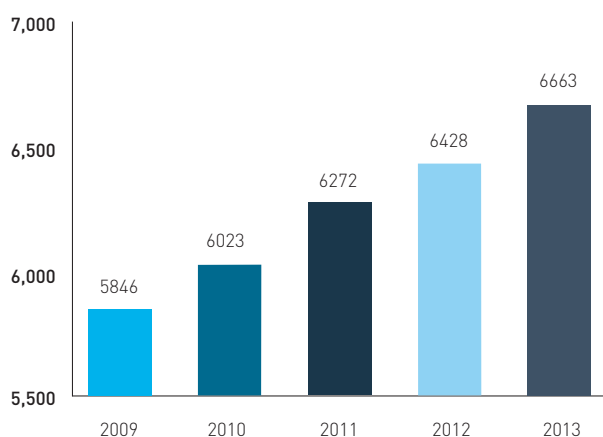
### MEMBERSHIP

	Employee Members	Individual Members	Preserved Members	Pensioners	Total
At 1 April 2012	6,089	88	171	80	6,428
New members	627	9	-	2	638
Transfers in	6	-	-	-	6
Transfer out	(4)	-	-	-	(4)
Resignations	(277)	-	-	-	(277)
Withdrawals	-	(11)	(11)	-	(22)
Retirements	(70)	-	-	-	(70)
Redundancies	(23)	-	-	-	(23)
Deaths	(6)	-	-	(6)	(12)
Disablements	(1)	-	-	-	(1)
At 31 March 2013	6,341	86	160	76	6,663

Total membership increased by 235 over the year.

### CHANGES IN MEMBERSHIP OVER THE LAST FIVE YEARS

The following graph shows the change in Scheme membership over the past five years.



### DEATHS

Sympathy is extended to the families of members and pensioners who have died.

#### The following members died:

PF Dye (Fonterra), RA Gibbs (Fonterra), RC Grant (Fonterra), RJ Payne (Goodman Fielder)\*, RD Pyper (Fonterra), PC Sturgeon (Fonterra)\*, WSP Taurau (Fonterra).

\* Died in previous Scheme year but not shown in the 2011/2012 annual report.

Due to timing issues, the number of deaths shown in the membership table does not correspond with the list of members who died during the Scheme year.

#### The following pensioners died during the Scheme year:

CJ Brumby, NG Christian, RL Leyland, NM Picard, RL Sayer, JF Stevenson. Sadly, our only Scheme centenarian, Ronald Leyland, passed away the day before his 102nd birthday.







# DAIRY INDUSTRY SUPERANNUATION SCHEME

## SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

2012 \$		2013 \$	
	<b>Statement of Changes in Net Assets</b>		
	<b>Investment Activities</b>		
14,747,283	Net Investment Income	44,747,081	Summarises the Scheme's income and expenses during the year
2,272,509	Group Life Claims	1,874,682	Investment earnings less the investment managers' fees
250,571	Use of Money Interest	-	Payments from the insurer
17,270,363	<b>Net Income</b>	46,621,763	Interest reimbursed by Inland Revenue
	<i>Less</i>		
	<b>Other Expenses</b>		Costs of running the Scheme
576,387	Administration and Consulting Fees	727,223	
36,139	Auditor's Remuneration – Audit Fees	36,829	
21,787	Auditor's Remuneration – Taxation Services	21,987	
3,554,081	Group Life Premiums	3,720,327	
108,226	Other Expenses	179,379	
133,720	Trustee Remuneration	167,102	
4,430,340	<b>Total Other Expenses</b>	4,852,847	
12,840,023	<b>Change in Net Assets before Taxation and Membership Activities</b>	41,768,916	Investment income less expenses
3,071,816	Income Tax Expense	6,275,744	
9,768,207	<b>Change in Net Assets after Taxation and before Membership Activities</b>	35,493,172	Investment income less tax and expenses
	<b>Membership Activities</b>		
23,522,628	Member Contributions	24,968,696	
903,980	Voluntary Member Contributions	942,612	
24,000,407	Employer Contributions	25,142,243	
132,330	Transfers in from Other Schemes	274,600	
24,631,552	<i>Less</i> Benefits Paid	26,003,037	
23,927,793	<b>Net Membership Activities</b>	25,325,114	Contributions paid into the Scheme less benefits paid
33,696,000	<b>Net Increase in Net Assets during the Year</b>	60,818,286	Investment income less tax and expenses plus net membership activities

2012		2013	
\$		\$	
	<b>Statement of Net Assets</b>		Summarises what the Scheme owns and what it owes
	<b>Assets</b>		The Scheme's assets held with the investment managers
718,783	Cash at Bank	334,568	
417,929,504	Financial Assets – Fair Value Through Profit or Loss	479,023,542	
-	Income Tax Receivable	117,246	
10,503	Prepayments	10,503	
619	Sundry Debtors	-	
71,460	Deferred Tax Asset	85,710	
418,730,869	<b>Total Assets</b>	479,571,569	
	Less		
	<b>Liabilities</b>		Liabilities are amounts owed to others
9	Income Tax Payable	9	
199,215	Benefits Payable	228,948	
141,718	Sundry Creditors	134,399	
340,942	<b>Total Liabilities</b>	363,356	
418,389,927	<b>Net Assets Available for Benefits</b>	479,208,213	Total assets less current liabilities
406,470,264	<b>Vested Benefits*</b>	468,218,722	Benefits payable had all members left the Scheme at balance date
	<b>Statement of Cash Flows</b>		Summarises cash flows through the Scheme during the year
25,607,877	Net Cash Flows from Operating Activities	22,515,784	Contributions less benefit payments and operating expenses
[25,247,395]	Net Cash Flows from Investing Activities	[22,899,999]	
360,482	Net (Decrease)/Increase in Cash Held	[384,215]	Total cash flow
358,301	Cash at Beginning of Year	718,783	Plus cash held at beginning of year
718,783	<b>Cash at End of Year</b>	334,568	

\* Vested Benefits are benefits payable to members or beneficiaries under the conditions of the Trust Deed, on the basis of all members ceasing to be members of the Scheme at balance date.

## NOTES TO THE SUMMARY FINANCIAL STATEMENTS

A summary of the Scheme's audited financial statements for the year ended 31 March 2013 which were authorised for issue by the Trustee on 26 June 2013 is shown on page 20 of this annual report and above. The summary financial statements have been extracted from the full audited financial statements dated 31 March 2013 which were authorised for issue on 26 June 2013. The summary financial statements have been prepared in accordance with FRS-43 Summary Financial Statements.

The full financial statements have been prepared in accordance with generally accepted accounting practice and they comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). The Scheme has made an explicit and unreserved statement of compliance with NZ IFRS in note 2 of its full financial statements. The financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the Scheme operates.

The summary financial statements cannot be expected to provide as complete an understanding as provided by the full financial statements of changes in net assets, net assets and cash flows of the Scheme. A copy of the full financial statements can be obtained, free of charge, from the Scheme's administration manager. The Scheme is a profit orientated entity.

The auditor has examined the summary financial statements for consistency with the audited financial statements and has issued an unmodified opinion on both the summary financial statements and the full financial statements.



# INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY FINANCIAL STATEMENTS



## To the members of Dairy Industry Superannuation Scheme

The accompanying summary financial statements on pages 20 and 21, which comprise the summary statement of net assets as at 31 March 2013 and the summary statements of changes in net assets and changes in cash flows for the year then ended, and notes on page 21, are derived from the audited financial statements of Dairy Industry Superannuation Scheme ("the superannuation scheme") for the year ended 31 March 2013.

We expressed an unmodified audit opinion on those financial statements in our report dated 26 June 2013. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

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

## Trustee's responsibility for the financial statements

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

## Auditor's responsibility

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

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

## Opinion

In our opinion, the summary financial statements have been correctly extracted from the audited financial statements of Dairy Industry Superannuation Scheme for the year ended 31 March 2013, and the information reported in the summary financial statements is consistent, in all material respects, with the audited financial statements, in accordance with FRS-43 *Summary Financial Statements*.

A handwritten signature of the KPMG firm, written in blue ink.

26 June 2013

Wellington

## SCHEME DOCUMENTATION

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### TRUST DEED

As noted in last year's annual report, with effect from 22 May 2012 the trust deed was amended to permit members of the Scheme to resume contributions after any period of not contributing, rather than only within 18 months as previously permitted.

The trust deed was also amended with effect from 1 April 2013. The amendment was made to reflect the increase from 2% of salary to 3% of salary in the minimum contribution rate to locked in accounts in complying superannuation funds such as the Scheme. The increase also applied to KiwiSaver schemes.

The amendment also made a number of minor changes to reflect legislative developments since the trust deed was last amended.

### PROSPECTUS

The Scheme's most recent prospectus was registered on 21 September 2012 and extended for a further nine months on 21 December 2012.

### SUMMARY OF TRIENNIAL STATUTORY ACTUARIAL VALUATION REPORT AS AT 31 MARCH 2012

The most recent triennial actuarial valuation of the Scheme was carried out as at 31 March 2012. The Actuary concluded that the value of the accrued benefits of both the Allocated and Non Allocated (the pensions) sections are fully covered by the Scheme's assets. In this report, the Actuary recommended that the employers continue to make no additional contributions other than those required under the trust deed in respect of allocated members (active members).

The Actuary also recommended that the next statutory valuation be carried out at 31 March 2015, or earlier if there is a substantial fall in the value of the assets which is expected to be permanent.

### SUMMARY OF INTERIM ACTUARIAL REPORT AS AT 31 MARCH 2013

An interim actuarial valuation was carried out as at 31 March 2013. The valuation assumptions were the same as those used for the 2012 actuarial valuation which anticipated investment returns of 5.5% pa.

The actuarial review reported a surplus and the Actuary recommended a transfer of \$0.129m from the Non Allocated Account to the Reserve Account. The Trustee has adopted this recommendation and the Non Allocated Account is in a balanced position as at 31 March 2013.

## SCHEME PERSONNEL HERE TO HELP

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**Derek Vincent** continues as Secretary to the Scheme. Contact Derek if you would like to correspond with the Trustee, have any questions about this report, or for a copy of the Scheme's audited financial statements. A copy of the Scheme's statement of investment policy and objectives is also available free of charge from Derek.



### Derek Vincent

Contact me at:

Freephone: 0800 355 900

Telephone: (04) 819 2600

Facsimile: (04) 914 0434

P O Box 2897, Wellington 6140

**Peter Alsop** continues to take care of the day-to-day running of the Scheme. Please call Peter or the Member Helpline if there is any aspect of the Scheme or this report you do not understand.



### Peter Alsop

Contact me at:

Freephone: 0800 355 900

Telephone: (04) 819 2600

Facsimile: (04) 914 0434

P O Box 1849, Wellington 6140

**Judy Fletcher** continues to be responsible for the running of the Scheme in respect of pensioners. Please call Judy on the Pensioner Helpline if you have a query about your pension from the Scheme.



### Judy Fletcher

Contact me at:

Freephone: 0508 473 674

Telephone: (09) 928 3200

Facsimile: (09) 928 3201

P O Box 1849, Wellington 6140

### INTRODUCING JUDY FLETCHER

If you are a pensioner and have a query, you will speak to Judy Fletcher who works in Mercer's Auckland office. Judy is an experienced pensions administrator, having worked with group superannuation and pension plans for more than 15 years. She is one of a team who administers over 1,000 pensioners for Mercer clients. When not working, Judy is involved with her school-age daughter and also enjoys science fiction and English country and folk dancing.



## DIRECTORY

### ADMINISTRATOR

All correspondence should be addressed to:

Scheme Secretary  
Dairy Industry Superannuation Scheme  
C/- Mercer (N.Z.) Limited  
P O Box 2897  
Wellington 6140

Freephone: 0800 355 900  
Telephone: (04) 819 2600  
Facsimile: (04) 915 0434

### INVESTMENT MANAGERS

AMP Capital Investors (NZ) Limited  
BT Funds Management Limited\*  
Harbour Asset Management Limited  
Mercer (N.Z.) Limited\*\*  
OnePath (NZ) Limited  
Russell Investments Limited\*\*\*

\* The final portion of the Scheme's assets invested in alternative assets with BT Funds Management was transitioned into cash and paid into the Scheme's bank account on 30 April 2013.

\*\* Since July 2012, the Scheme's investments previously invested in trans-Tasman listed property managed by OnePath (NZ) Limited have been replaced by investments in listed infrastructure and natural resource assets, managed by Mercer Investment Nominees (NZ) Limited.

\*\*\* Since May 2012, the Scheme's investments in international fixed interest assets previously managed by BlackRock Investment Management (Australia) Limited and Tower Asset Management investments have been fully managed by Russell Investments.

*Responsible for investing the Scheme's assets in accordance with the investment policy adopted by the Trustee.*

### ACTUARY

Mercer (N.Z.) Limited  
*Conducts actuarial reviews.*

### AUDITOR

KPMG  
*Audits the Scheme's financial statements.*

### INSURANCE PROVIDER

AMP  
*Provides cover for the insurance benefits.*

### SOLICITORS

Kensington Swan  
*Advises the Trustee on legal issues affecting the Scheme.*

### INVESTMENT CONSULTANT

Mercer Investment Consulting  
*Assists the Trustee in setting investment policy and monitoring the investment managers.*

### PRIVACY ACT

Your personal information may be held for the purposes of the Scheme and when necessary passed between your employers, the Trustee and the Scheme's professional advisers. If you wish to check or amend your personal information, please contact the Scheme.

### TO MAKE A COMPLAINT

1. Call the helpline to discuss your concerns.
2. Depending on the nature of your complaint, the helpline will direct it either to the administration team or to the Secretary to the Trustee.

The Trustee has 40 working days to respond to your complaint. If you are not satisfied by the response, you may refer the matter to FSCL by emailing [info@fscl.org.nz](mailto:info@fscl.org.nz) or calling FSCL on 0800 347 257.

Alternatively you may write to FSCL at:

Financial Services Complaints Limited  
45 Johnston Street  
P O Box 5967, Lambton Quay  
Wellington 6145

Full details of how to access the FSCL scheme can be obtained on their website [www.fscl.org.nz](http://www.fscl.org.nz).

### LOOKING FOR MORE INFORMATION?

Internet access:  
[www.dairysuper.superfacts.co.nz](http://www.dairysuper.superfacts.co.nz)

Member Helpline: 0800 355 900  
(9.00am to 7.00pm on business days)

# 2012/2013

*The Scheme year  
in numbers*

NEW  
MEMBERS

**644**

NET ASSETS  
AVAILABLE TO  
PAY BENEFITS

**\$479.2M**

TOTAL  
MEMBERSHIP

**6,663**

WEBSITE  
VISITS

**40,273**

MEMBER  
AND EMPLOYER  
CONTRIBUTIONS

**\$51.3M**

CALLS TO  
THE HELPLINE

**2,590**

BENEFITS  
PAID

**\$26.0M**

INCREASE  
IN SCHEME'S  
NET ASSETS

**\$60.8M**