

DAIRY INDUSTRY SUPERANNUATION SCHEME NEWSLETTER NOVEMBER 2018

WELCOME TO THE NOVEMBER 2018 NEWSLETTER FOR THE DAIRY INDUSTRY SUPERANNUATION SCHEME.

This issue provides information on how your investment options are performing, a look at the world's investment markets, along with other news about the Scheme and your membership.

We extend a special greeting to those members of Westland Co-operative Dairy Company who have recently taken the opportunity to transfer to the Scheme from their previous superannuation plan. We are sure you will benefit from membership of the Scheme, which has been specially developed for employees working in the dairy industry.

INVESTMENT PERFORMANCE

The following table shows you how the Scheme's investment options have performed over the six months from April to September and since investment choice was made available to members in 2003.

Returns are determined monthly, take into account the effect of compound interest and are rounded to one decimal point.

Returns for each investment option after tax, fees and expenses							
	Cash	Cash/ Conservative	Conservative	Conservative/ Balanced	Balanced	Balanced/ Growth	Growth
Scheme year to 31 March 2018	1.3%	2.6%	3.9%	5.1%	6.4%	7.2%	8.0%
Periods to 30 September 2018							
Scheme year to date (six months)	0.7%	1.5%	2.4%	3.5%	4.5%	5.2%	6.0%
1 year	1.3%	2.5%	3.7%	5.1%	6.4%	7.4%	8.4%
5 years (average p.a.)	1.7%	3.1%	4.6%	5.9%	7.3%	8.1%	8.8%
10 years (average p.a.)	1.9%	3.2%	4.5%	5.4%	6.2%	6.6%	7.0%
Since 31 March 2003 (p.a.)	2.9%	3.8%	4.7%	5.4%	6.0%	6.4%	6.8%

INVESTMENT NEWS

The April to September period performed well, with markets delivering positive returns each month despite international trade tensions capturing news headlines.

10 years on from the 2008 Global Financial Crisis (GFC), the investment world is in a much better place, with markets showing they can, and do, recover from such events.

Global markets delivered positive results in April and May, however it wasn't all good news. While returns were strong in the United States (US) and the United Kingdom, falls in Europe, Japan, and Emerging Markets such as Brazil offset the overall growth. International trade negotiations continued to be in the news throughout the winter months, and several countries experienced negative returns as investors reacted poorly to threats of new tariffs.

Most recently, news reports have made claims of impending share market crashes, financial calamities, and that economic disasters are appearing with increased frequency, however many market commentators remain cautiously positive at the long term outlook.

The pace of growth has eased in recent times and become less synchronised (some countries are performing better than others). The US continues to lead the way on the back of high levels of business and consumer confidence. This is being encouraged in particular by corporate tax cuts and US unemployment running at its lowest level since the 1960s.

Trade war tensions, mainly between the US and China, and political uncertainty in the Eurozone (19 countries in the European Union), especially in Italy, caused greater market volatility. Nevertheless, global unemployment continues to fall, which should further support economic expansion and put upward pressure on wage growth and inflation.

In turn, this should give central banks more confidence to gradually increase interest rates to prevent economies from overheating. This is already occurring, most notably in the US where the Federal Reserve has lifted interest rates each quarter this year. As this process unfolds, the returns from fixed interest investments are likely to be dampened.

Overall, there is still optimism for global share markets, because the environment for company profits is seen as positive. However, as much of the good news is already priced in and interest rates are rising, it could be difficult for share markets to sustain their recent levels of growth.

BEST DOCTORS

We recently sent you information about Best Doctors, an exclusive service providing world-leading medical advice to you and your immediate family (your partner, children, parents and parents-in-law). If you or a family member falls ill, the online service allows you to ask a specialist medical practitioner a question, check a symptom or find out more about your medical condition.

Best Doctors is free if, as part of your Scheme benefits, you have death and permanent incapacity insurance cover. You can check whether you have the cover by signing into your Scheme account at www.dairysuper.superfacts.co.nz.

If you haven't already joined Best Doctors, we encourage you to do so as soon as you can. To register, or to find out more about the service, simply go to the Best Doctors website, www.askbestdoctors.com/nz (enter Sovereign as the Insurer).

MEMBERS' SURVEY

We were very pleased to see so many of you provide input through the 2018 Scheme members' survey earlier this year. The response rate of 27% was above-average on an industry basis, and almost triple that of the Scheme's 2016 survey. 77% of respondents described the combined annual report and benefit statement as helpful or very helpful, with more than 72% saying it was either easy or quite easy to understand. Members overwhelmingly favoured receiving Scheme information electronically and 80% of respondents indicated they were also interested in communication by SMS/text.

Thank you to everyone who participated. As always, if you have any comments or feedback on the correspondence you receive please feel welcome to contact the Helpline on 0800 355 900.

HOW MUCH DO YOU NEED IN RETIREMENT?

Many retirees now top up their New Zealand Superannuation to maintain the lifestyle they want. The gap between how much pensioners receive and how much they spend has widened significantly and many are working beyond the traditional retirement age of 65 to pay for the shortfall. This is according to the latest Retirement Expenditure Guidelines produced by the Westpac Massey Financial Education and Research Centre.

The guidelines provide two different levels of expenditure, *No Frills* and *Choices*. The *No Frills* guidelines reflect a basic standard of living that includes few, if any, luxuries. The *Choices* guidelines represent a more comfortable standard of living, which includes some luxuries or treats.

WEEKLY NZ SUPER RATES	ONE-PERSON HOUSEHOLDS		TWO-PERSON HOUSEHOLDS	
	\$390.20		\$600.30	
Total Weekly Expenditure	Metro	Provincial	Metro	Provincial
No Frills budget	\$590.44	\$561.04	\$872.22	\$621.48
Choices budget	\$1175.17	\$824.16	\$1399.72	\$1104.78

The Massey report represents actual levels of expenditure by retired households, and not the recommended levels of expenditure. To understand how much you may need in retirement, you can make use of the Commission for Financial Capability's retirement planner on the Sorted website at sorted.org.nz/tools/retirement-planner.

You can see a full copy of the retirement expenditure report on Massey University's website at www.massey.ac.nz (published under 'About Massey', 'News' and then 'Research News'. The report is titled "Superannuation Shortfall Widens - but it's not all bad news").

WEATHERING LIFE'S STORMS

The focus of the Commission for Financial Capability's recent Money Week campaign last month was how to 'Weather life's storms' – helping to survive unexpected financial hits. The three key points of this year's campaign are well worth repeating here:

- **Safety net:** Create a separate savings account where you can put money aside each payday to provide an emergency fund for unexpected bills.
- **Insurance:** Consider what financial losses you could handle yourself and those better covered by an insurance policy.
- **Wills:** Some 50% of New Zealanders don't have a will, even though dying without one can create all sorts of financial and other difficulties for your loved ones.

For further information on what you can do to prepare for life's unexpected twists and turns, go to moneyweek.org.nz.

CHANGES TO KIWISAVER

A number of changes are being proposed to improve the effectiveness of KiwiSaver by helping New Zealanders save for their retirement and making funds more accessible. The proposed amendments could lead to the following changes:

- **Introducing additional 6% and 10% KiwiSaver contribution rates** to give members more flexibility to self-select a contribution rate that better aligns with their particular circumstances. At present, an employee can choose to contribute 3%, 4%, or 8% of their gross salary and wages to their KiwiSaver account.
- **Reducing the maximum contributions holiday period** from five years to one year, while permitting existing contribution holidays to continue until they expire.
- **Changing the name from "contributions holiday" to "savings suspension"** and replacing all references within the Act.
- **Allowing over 65 year olds to opt-in to KiwiSaver.** Currently, over 65 year olds cannot join KiwiSaver, so this law change will give over 65 year olds the ability to join.
- **Removing the lock-in period.**

The "lock-in period" only affects members who join KiwiSaver after the age of 60, and therefore have not been a KiwiSaver member for five years when they reach the NZ Superannuation qualification age (65 years). This law change will permit KiwiSaver members to withdraw their funds when they reach Superannuation age, regardless of how long they have been a KiwiSaver member.