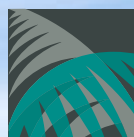


# Reports and Financial Statements

for the year ended 30 June 2025



GOVERNMENT  
SUPERANNUATION FUND  
AUTHORITY



GOVERNMENT SUPERANNUATION FUND  
Te Pūtea Penihana Kāwanatanga



COVER IMAGE: Cover photo shows Picton township aerial view. Shakespeare Bay (left), Picton harbour and Waikawa Bay and town (right). Marlborough Sounds, Grove Arm (left) and Queen Charlotte Sound right, Picton, New Zealand. Photography by Rob Suisted ([www.naturespic.com](http://www.naturespic.com))



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# Chair's Report

Tēnā koutou katoa

On behalf of the Government Superannuation Fund Authority Board, I am pleased to present the annual reports on the activities of the Government Superannuation Fund Authority and the Government Superannuation Fund for the year ended 30 June 2025.

The Authority was established in October 2001 as a Crown entity by section 15A of the Government Superannuation Fund Act 1956 and became an autonomous Crown entity under the Crown Entities Act 2004 in January 2005.

Our mission is to use best practice to manage the Fund and administer the GSF Schemes, as required by the GSF Act, with the prime objectives of enabling:

- returns to be maximised without undue risk;
- the Crown's contribution to the GSF to be minimised; and
- the needs and reasonable expectations of stakeholders to be met.

We are responsible for interpreting the provisions of the GSF Act relating to the GSF Schemes and exercising discretionary provisions. Annuitas Management Limited carries out these functions under delegation from the Board.

## Overview of the Year

The GSF Schemes have been closed to new members since 1992. As expected, the number of contributors and annuitants continues to decline. As at 30 June, there were 2,674 contributors, 39,964 annuitants and 1,560 deferred annuitants.

Over the year we paid entitlements of over \$1 billion to over 41,500 GSF members, responded to over 6,000 telephone enquiries and received and processed information for around 121 payrolls.

The Fund returned 12.8% in the year to June 2025, net of investment management fees and before tax. This is a strong outcome relative to the 6.4% return for New Zealand Government Bonds and was slightly ahead of the 12.7% return for the Fund's benchmark Reference Portfolio.

In line with our commitments under the Crown Responsible Investment Framework we have further reduced the carbon intensity of our public equities portfolio, exceeding the target we set of a 50% reduction relative to a 2019 baseline. We have now set ambitious targets for further reductions by 2030.

Alongside the Board of Trustees of the National Provident Fund (NPF) and the Board of Annuitas, we undertook a comprehensive long-term strategic options review, which considered various options to improve the efficiency of governance, Fund and schemes management.

During the year, we also said goodbye to Annuitas Chief Investment Officer, Anthony Halls. We'd like to thank Anthony for his terrific contribution during his time at Annuitas. Anthony will be replaced by Will Durham, who joins us in September 2025 coming from a senior role at the Bank of England.

## Looking Ahead

Having completed the long-term strategic options review, the Board is now focused on how we can work more closely with NPF to achieve greater efficiencies across both organisations. We are in dialogue with the Minister of Finance and the Treasury regarding the potential form of this closer cooperation.



We manage the Fund to have a similar risk profile to the Reference Portfolio with more diversification. When global equities rise strongly, the Fund may underperform the Reference Portfolio but is more likely to outperform New Zealand Government Bonds, which is the primary goal. We continue to expect that the Reference Portfolio will outperform New Zealand Government Bonds over the next ten years.

Communication is important to the Board in achieving our strategic and operational goals. We are exploring better ways to communicate with all our key stakeholders, including Parliament, Government, scheme members, and the investment community.

Our website – [www.gsfa.govt.nz](http://www.gsfa.govt.nz) – contains comprehensive information on the Authority and the GSF Schemes. It explains how we operate and gives all stakeholders access to key information about the Schemes and the Fund.

The Board encourages contributors over age 65 and non-active contributors to consider their options carefully, including when they wish to start receiving their entitlements. The Scheme administrator, Datacom, is available on 0800 654 731 to answer any questions and provide additional information.

The Board continues to meet the standards of accountability and continuous improvement that are demanded of Crown entity directors today. We remain committed to providing all stakeholders with a consistently high standard of service.

## Thanks

The Board thanks the Minister of Finance and Government officials for their support, along with the team at Annuitas for their hard work and commitment to meeting our objectives. I also express my thanks to my fellow Board members for their expertise and the commitment they bring to the Board.

Ngā mihi,

A handwritten signature in black ink, reading "Anne Blackburn".

**Anne Blackburn**

*Chair*

*Government Superannuation Fund Authority Board*

*29 August 2025*



# Investment Commentary

## Investment Strategy

We are required to invest the Fund on a prudent and commercial basis. In so doing, our investment objective is to maximise returns without undue risk to the Fund as a whole, while managing and administering the Fund in a manner consistent with best practice portfolio management.

We define this objective as being to maximise the Fund's returns over and above New Zealand Government Bonds (before New Zealand tax), while limiting the chance of under-performing New Zealand Government Bonds over rolling ten-year periods.

We rely primarily on equities to achieve Fund returns greater than New Zealand Government Bonds because, economically and historically, equities are the most reliable source of excess returns over longer time horizons.

We use a notional Reference Portfolio to measure the additional risk and to benchmark the Fund's performance over interim periods. The Reference Portfolio is a simple, globally diversified portfolio that we expect to meet our long-term investment objective by investing passively in liquid public equity and bond markets at low cost.

The Reference Portfolio comprises 70% global equities, 10% New Zealand equities and 20% global fixed income securities. We invest about 90% of the Fund internationally to avoid concentration of risk in New Zealand assets. Foreign currency exposure is 20% of the Fund on average over time.

We aim to add value against the Reference Portfolio without increasing return volatility, by investing in private equities and insurance-linked assets that provide a more diversified source of return. We seek additional returns through active management of most asset classes. We also dynamically tilt the Fund towards cheaper asset classes and away from more expensive ones, because we believe this pays off over longer periods.

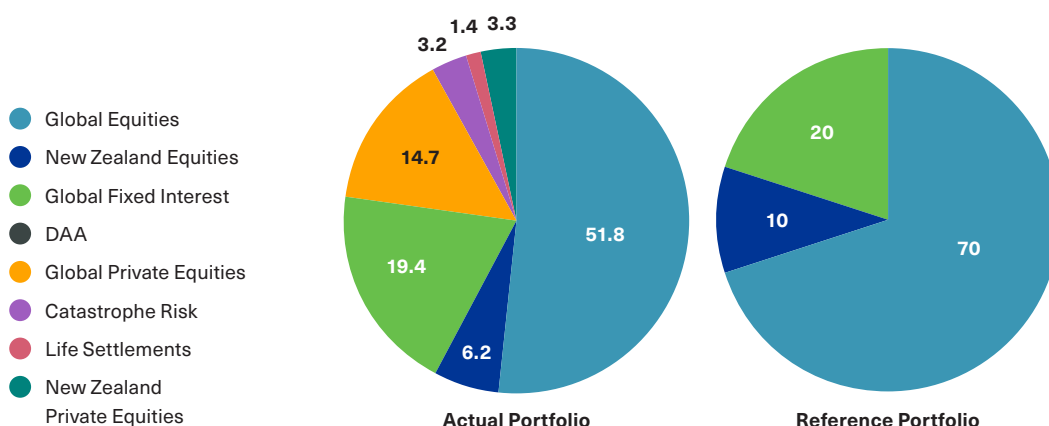
We benchmark all investment decisions against the Reference Portfolio to assess whether they add value in terms of higher returns for equivalent risk, net of investment management fees.

We manage the Fund to have similar risk to the Reference Portfolio whilst being more diversified. When global equities rise strongly, the Fund may underperform the Reference Portfolio but is more likely to outperform bonds, which is the primary goal.

We expect the Reference Portfolio to outperform New Zealand Government Bonds by 0.9% p.a. over the next ten years. That compares with 3.2% pa since the Fund's inception and 6.6% pa over the last decade.

Chart 1 sets out the Fund's asset allocation on 30 June 2025, compared with the Reference Portfolio.

**Chart 1: Asset Allocation as at 30 June 2025**





## Investment Returns

The Fund returned 12.8% in the year to 30 June 2025, net of investment management fees and before tax, far in excess of the 6.4% return of New Zealand Government Bonds and 0.1% ahead of the Reference Portfolio.

The Fund's returns are behind the Reference Portfolio over the last 3 years, but comfortably ahead over 5 years. We aim to add approximately 1.0% p.a. on average over ten-year periods from alternative return sources, active managers and the strategic tilting programme. Added value in the last ten years was 0.0% p.a. versus the Reference Portfolio so fell some way short of our long-term target.

**Table 1: Total Fund Return – Summary**

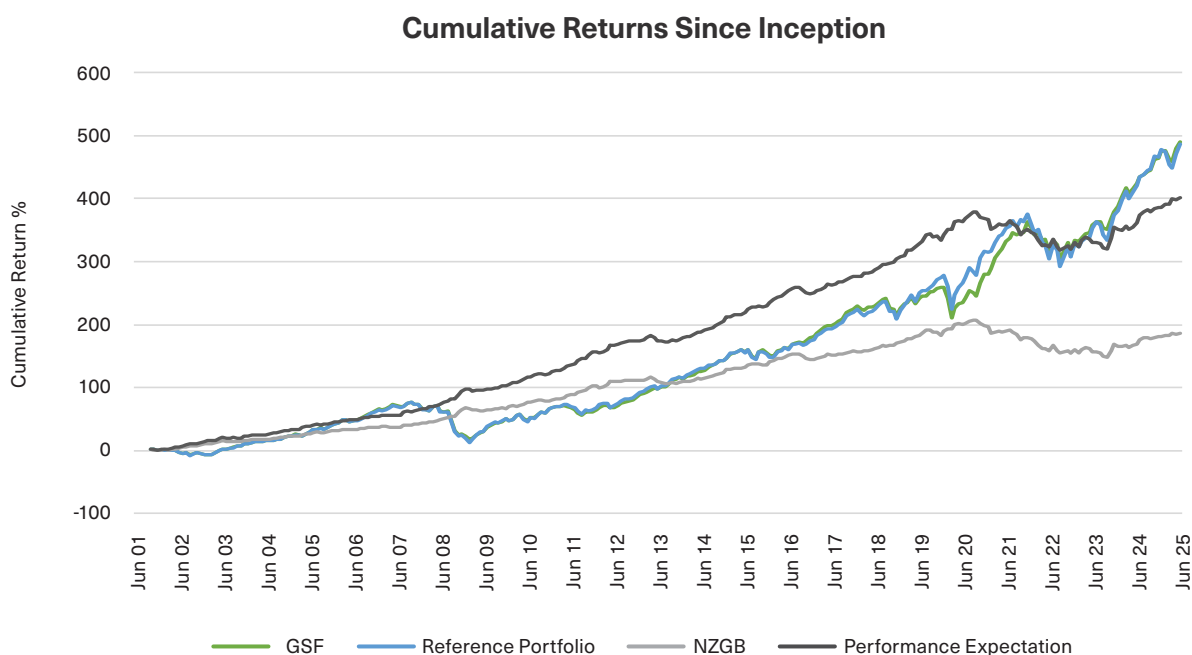
| Return to 30 June 2025 | 1 Year | 3 Years | 5 Years | 10 Years | Since Inception |
|------------------------|--------|---------|---------|----------|-----------------|
| Fund Net of Fees       | 12.8   | 12.3    | 12.0    | 8.7      | 7.8             |
| Reference Portfolio    | 12.7   | 13.2    | 9.9     | 8.7      | 7.7             |
| NZ Government Bonds    | 6.4    | 3.4     | -0.9    | 2.1      | 4.5             |
| CPI                    | 2.7    | 4.0     | 4.5     | 2.9      | 2.5             |

Return comprises gross of fees returns prior to 30 June 2009 and net of fees thereafter.

During the year, active managers of global listed equities and bonds contributed positively to the Fund, outperforming their benchmarks. However, the Fund's global private equity investments detracted material value relative to the Reference Portfolio as they lagged their public counterparts. It was a mixed year for the Fund's investments in alternative assets; catastrophe risk significantly outperformed its funding source whereas life settlements lagged behind (refer Table 2).

## Chart 2: Cumulative Returns Since October 2001

Chart 2 below shows the cumulative returns for the Fund since inception in October 2001. The Fund's long-term return has climbed back from its 2008 trough and is now above its long term expected level relative to New Zealand Government Bonds.





## Returns by Asset Class

Table 2 shows the investment returns by major asset class compared to the relevant asset class benchmark. All returns are annualised, in New Zealand dollars (NZD) before New Zealand tax and after investment management fees.

**Table 2: Returns by Asset Class to 30 June 2025**

| Asset Class                  | 1 Year |           | 3 Year |           | 5 Year |           |
|------------------------------|--------|-----------|--------|-----------|--------|-----------|
|                              | Actual | Benchmark | Actual | Benchmark | Actual | Benchmark |
| Total Fund <sup>1</sup>      | 12.8   | 12.70     | 12.3   | 13.2      | 12.0   | 9.9       |
| Global Bonds (100% hedged)   | 5.7    | 5.4       | 3.6    | 2.9       | 1.0    | -0.2      |
| Global Equities              | 20.9   | 17.7      | 21.0   | 18.6      | 16.9   | 15.1      |
| Global Private Equities      | 4.0    | 19.7      | 1.7    | 20.9      | 15.8   | 17.8      |
| New Zealand Equities         | 6.2    | 8.2       | 5.9    | 5.8       | 3.5    | 2.6       |
| New Zealand Private Equities | 6.4    | 11.2      | 5.6    | 8.5       | 13.5   | 5.5       |
| Catastrophe Risk             | 20.1   | 13.1      | 13.2   | 11.9      | 9.1    | 8.9       |
| Life Settlements             | 3.2    | 2.8       | 10.5   | 9.7       | 8.1    | 8.3       |
| Currency Overlay             | -3.1   | -3.1      | -1.3   | -1.6      | -1.2   | -1.6      |

1 The Total Fund return includes currency hedging to the NZD. Returns for global bonds are fully hedged. Returns for global equities, global private equities, catastrophe risk, and life settlements are unhedged.

2 The benchmark for the Total Fund is the Reference Portfolio.

3 The benchmarks for global private equities and New Zealand private equities are the same as for global equities and New Zealand equities respectively plus 3% pa.

## Outlook

Global economic growth remains subdued, as the lagged effects of higher interest rates continue to weigh on business activity and household spending. Labour markets are softening gradually, and the recovery is uneven across regions. The Eurozone and parts of Asia are experiencing flat or declining growth, while the US economy has slowed but remains more resilient.

Inflation has eased closer to central bank targets, though services inflation and renewed trade tensions (notably US–China tariffs) have kept price pressures from falling faster. Some central banks – including the European Central Bank and the Reserve Bank of New Zealand – have cut rates in response. The US Federal Reserve and Bank of England are expected to follow later this year, though both remain cautious. In contrast, the Reserve Bank of Australia has held its policy rate steady, and the Bank of Japan is slowly unwinding its ultra-low interest rate settings.

New Zealand's economy remains weak, though inflation is now within the Reserve Bank's target range. Household spending is soft, and the labour market is loosening, with the unemployment rate edging higher. The Reserve Bank cut the Official Cash Rate in May and signalled that further cuts may be gradual and data dependent<sup>1</sup>. The housing market has stabilised, though prices remain well below their 2021 peaks.

1 The Reserve Bank cut the Official Cash Rate again in August 2025.



Financial markets have responded positively to the prospect of falling interest rates, particularly in equity markets. However, the recent rally has been concentrated in a few sectors, leaving many parts of the market more attractively priced. Our active managers are well-positioned to take advantage of these opportunities. Bond markets continue to provide stable returns as inflation expectations ease and rate cuts are priced in.

We expect the Fund's Reference Portfolio to return around 5.6% pa on average over the next ten years, 0.9% ahead of New Zealand Government Bonds. We aim to add a further 1.0% pa through alternatives, active management, private equities and strategic tilting across asset classes.

## Our Response to Climate Change

The GSF Act requires us to manage and administer the Fund in a manner consistent with avoiding prejudice to New Zealand's reputation as a responsible member of the world community. We address this through our Responsible Investment (RI) Policies.

Climate change is a global issue requiring the world to reduce greenhouse gas emissions. New Zealand has committed to the Paris Agreement and aims to become a net zero society by 2050, as per the Climate Change Response (Zero Carbon) Amendment Act 2019.

Under the Crown Responsible Investment Framework, the Authority has committed to measure and reduce the Fund's carbon intensity and influence companies to address climate risks and opportunities. The Authority is a signatory to the Net Zero Asset Owners Alliance, which is a collaborative investor-led global forum enabling investors to align their portfolios and activities to the goals of the Paris Agreement.

Specifically, we have:

- committed to a net zero carbon investment portfolio by 2050
- measured the Fund's overall exposures to carbon emissions and fossil fuels to track how we are progressing towards the net zero target
- reduced the carbon intensity (emissions to sales) of the public equities portfolio since 2019. We committed to lowering it by 50% by 2025 – a target we met. We have now set a new goal of a 65% reduction by 2030 target (relative to 2019). We expect to achieve this without jeopardising our investment returns
- committed to measuring and reporting progress annually
- encouraged our investment managers to engage with companies on the disclosure and management of climate change risks and opportunities
- exercised our global voting obligations through our investment managers to influence change.

Our investment manager selection process takes into account the ability of investment managers to assess the impact of material climate-related risks and opportunities facing companies and the broader sustainability of their business models when making portfolio decisions. Our investment managers invest on behalf of many investors and accordingly have more influence than the Authority alone when engaging with companies on these matters.

This year the Minister of Finance agreed that we would report annually to her office on how we are tracking against the Crown Responsible Investment Framework. This report replaces Climate-Related Disclosures aligned with the External Reporting Board (XRB) standards.



# Schemes Commentary

## GSF Schemes – Administration

Datacom Connect Limited (**Datacom**) continues as the administrator of the GSF Schemes and has met the performance standards we set that have applied since 1 July 2009. These performance standards are specific in terms of required response times. Annuitas works closely with Datacom and continues to encourage best practice in schemes administration.

Annually the administrator pays approximately \$984 million to members and receives around 6,000 telephone calls. Datacom corresponds with all members annually and combined with enquiries, this results in around 20,000 pieces of correspondence.

## Privacy and Security

The Board is very aware of the need to respect members' privacy. We are required to hold personal information about members for the purposes of ongoing management and administration of the GSF Schemes. Personal information is data about an identifiable individual or information that could be used to identify a member, such as a name and contact details.

We are bound by, and adhere to, the privacy provisions set out in the Privacy Act 2020, and we have complied with the Act since its inception.

With this in mind, we have ensured that the Schemes Administrator, Datacom, will never send a generic email asking a member for personal information (for example, bank account number or date of birth) or ask a member to provide their bank account details over the telephone.

The Board and Datacom will also never ask a member:

- for banking PINs or passwords;
- to download any software onto a computer;
- to give remote access to a computer; or
- send a member a link to a GSF website login page.

If at any time a member has any concerns about requests received, we urge them to call Datacom on 0800 654 731.

## Cyber Security

Cyber security attacks on businesses are becoming more and more common over time, with businesses of all sizes at risk. We are very aware of the need to protect our data, including our network and member information.

We protect our data by regularly installing the latest software updates and having automated backups in place. Data is held in secure cloud environments with virtual private networks (VPNs) that use two-factor authentication to access remotely the data via our network.



# Statement of Governance and Accountability

The Authority was established in October 2001 as a Crown entity under section 15A of the GSF Act and became an autonomous Crown entity under the Crown Entities Act in January 2005. The business of the Authority is to manage the assets and administer the GSF Schemes and the Fund in accordance with the GSF Act.

Section 15G of the GSF Act specifies the Board is responsible for the business of the Authority.

## Government Superannuation Fund Authority Board – as at 29 August 2025

The Minister of Finance has appointed the following six members to the Board:

**Anne Blackburn** – Chair. Appointed as a Board member on 1 July 2018 and as Chair of the Board on 1 July 2019. Ms Blackburn has a background in banking, governance and strategic advice and is currently a director of Ponga Silva Limited and Annuitas Management Limited. Ms Blackburn is also a director and Chair of Resolution Life NZ Limited and a Trustee of Te Taumata Toi-a-Iwi. Ms Blackburn's other directorships include Trust Investments Management Limited, Beehive Demetra Limited and Otway Silva Pty Limited.

**Hugh Stevens** – Deputy Chair. Appointed as a Board member 26 May 2023. Mr Stevens has experience in banking and funds management with previous roles as Chief Executive Officer of Smartshares Ltd and senior executive roles with BNP Paribas and JP Morgan in New Zealand, UK and France. Mr Stevens has been a board member of the NZ Financial Services Council and is currently a director of Annuitas Management Limited, Chair of Fundrock NZ Ltd, and a member of the Technology Advisory Board for AlphaCert. Mr Stevens is also the Chief Executive and a director of i-Select Limited, and an employee of Betashares Capital NZ Ltd.

**Murray Brown** – Chair of the Investment Committee. Appointed as a Board member 1 July 2018. Mr Brown is also a board member of Yachting New Zealand, Chair of Harbour Asset Management Limited and a Chartered Member of the Institute of Directors. He previously held senior management positions at Fisher Funds Management and First NZ Capital.

**Michael Sang** – Chair of the Audit and Risk Review Committee. Appointed as a Board member 1 August 2020. Mr Sang has held various governance roles and has a background in finance including previous executive roles as Chief Executive Officer of Ngai Tahu Holdings and Chief Financial Officer of PGG Wrightson. Mr Sang is a director of Orion New Zealand Limited, BRANZ Limited (Building Research Association of New Zealand) and Comvita Limited.

**Sarah Vrede** – Appointed as a Board member 1 August 2020. Ms Vrede was until recently Chief Executive of the New Zealand Financial Markets Association and has more than 20 years' public and private sector experience in financial and capital markets. Previously Ms Vrede was Director of Capital Markets with the Financial Markets Authority and before that was the head of the New Zealand Debt Management Office within the Treasury. Ms Vrede was appointed a Fellow of the Institute of Finance Professionals in 2019 in recognition of her significant contribution to New Zealand's capital markets. Ms Vrede is also a director of New Plymouth PIF Guardians Limited.

**Rebekah Swan** – Appointed as a Board member 1 July 2024. Ms Swan has over 25 years' experience in funds management with previous roles as Managing Director of Macquarie Asset Management NZ and AMP Capital (NZ) Limited and Head of Responsible Investment at Fisher Funds, as well as other senior roles and executive board roles. Currently Ms Swan is the Head of Advisory for the Todd Family Office and holds a not for profit board role with the Good Registry Trust.



## Remuneration of Board Members

Remuneration of Board members is in accordance with the rates set by the Minister of Finance.

## Responsibilities and Operations of the Board

The Board is responsible for all decisions relating to the business of the Authority.

- The Board formally meets four times per year for full Board meetings. It has additional meetings to consider its public accountability documents including the Statement of Performance Expectation and Annual Report and to consider strategy for the year ahead. It also meets outside the fixed schedule on an as required basis.
- The Board has two permanent committees – an Investment Committee and an Audit and Risk Review Committee.
- The **Investment Committee** plays an important oversight role on behalf of the Board. It receives reports from the management team at Annuitas discussing current investment work in progress, reviewing the implementation of investment strategy and providing an update on the market environment. Where it considers it necessary, the Committee will refer papers on to the full Board for further discussion.
- The Board members on the Investment Committee are Murray Brown (Chair), Hugh Stevens and Rebekah Swan.
- The purpose of the **Audit and Risk Review Committee** is to assist the Authority in fulfilling its responsibilities for managing and administering the Fund and the Schemes pursuant to the GSF Act. This committee is chaired by Michael Sang and the other Board member on this committee is Sarah Vrede.
- The Board Chair is an ex officio member of both committees.

Executive services to the Authority are provided by Annuitas Management Limited, a joint venture between the Authority and the Board of Trustees of the National Provident Fund (NPF).

As required by the GSF Act, the Board does not delegate the following powers:

- power of delegation
- power to grant a power of attorney; and
- power to appoint the schemes administration manager, investment managers, other service providers and the custodian.

## Auditor

The Auditor-General is the auditor of the Authority. The Auditor-General has appointed Pam Thompson of Deloitte Limited to act on his behalf.

## Our People

The Authority and the NPF have formed a joint venture company, Annuitas Management Limited (**Annuitas**). Each organisation has entered into a management services agreement (**MSA**) with Annuitas.

The main function of Annuitas is to provide managerial and secretarial services to the Authority and NPF. The MSA between Annuitas and the Authority contains delegations of authority to enable Annuitas to carry out the day-to-day management of the Authority's investment, custody and schemes management arrangements. In the case of schemes management, the delegation includes interpretation of the provisions of the GSF Schemes and exercise of discretionary powers in accordance with the Provisions, Policies and Procedures of the GSF.

At 30 June 2025, Annuitas had 15 staff (with 1 full-time equivalent role filled shortly after the financial year end). It strives to be a good equal employment opportunity employer meeting the good employer elements



set out by the Human Rights Commission. Annuitas has Health, Safety and Wellness Policies, and regular meetings are held with all staff to help achieve its aim of providing a healthy and safe workplace.

Workplace flexibility and investment in professional development are core to its employment offerings and hence staff participated in a range of educational development programmes during the year. These are monitored and reported on regularly.

### Diversity of Annuitas Staff

| Ethnicity | New Zealand/Other European | Asian  | Māori   |
|-----------|----------------------------|--------|---------|
|           | 14                         | 1      | 0       |
| Gender    | Male                       | Female | Other   |
|           | 10                         | 5      | 0       |
| Age       | Under 35                   | 35-55  | Over 55 |
|           | 4                          | 6      | 5       |

The Management team is:

- **Tim Mitchell** Chief Executive and Acting Chief Investment Officer
- **Fiona Morgan** Chief Financial Officer
- **Hadyn Hunt** Chief Risk Officer
- **Ireen Muir** General Manager, Schemes

The Chief Executive of Annuitas has a contractual base salary of \$390,000. He also receives an 8% KiwiSaver contribution and is eligible for up to 40% by way of discretionary bonus. During the year under review the total paid to the Chief Executive including all the above components was \$565,380

### Indemnities

The Authority has:

- provided indemnities to each Board member under Deeds of Indemnity whereby the Authority agreed to indemnify each Board member (subject to certain exceptions) for certain costs and liabilities in respect of certain acts and omissions (being acts and omissions in good faith and in performance or intended performance of the Authority's functions) to the maximum extent permitted by the Crown Entities Act; and
- under the Management Services Agreement between the Authority and Annuitas, indemnified each of Annuitas and its staff, from and against all claims made against Annuitas, or the staff as the case may be, by a third party which Annuitas or the staff may incur in, or which may arise from their, properly carrying out their respective duties and obligations, and properly performing the powers and authorities delegated or sub delegated to them.

The indemnities provided by the Authority to Board members, Annuitas and Annuitas staff do not protect those indemnified against any liability, claim or proceeding of any kind for any dishonesty or fraud or anything else that either:

- as a matter of public policy cannot be indemnified at law; or
- is criminal liability that the Authority has determined, in its absolute discretion, should be excluded from the indemnity.

The Authority has determined all criminal liability, other than strict liability offences, should be excluded from the scope of the indemnities. Broadly speaking, strict liability offences are those for which no intent needs to be established.



## Insurance

During the financial year, the Authority continued directors' and officers' insurance cover for Board members in respect of potential liabilities and costs incurred through acts and omissions made in the performance, or intended performance, of the functions of the Authority. Insurance is not provided for an act or omission that is in bad faith.

We also continued company reimbursement insurance cover, in respect of any claims made by Board members, under the indemnities described above.

The scope of the directors' and officers' insurance cover and the company reimbursement insurance cover is consistent with the limitations imposed by the Crown Entities Act.

No claims were made against any insurance policies in this financial year.



# Statement of Service Performance

The Authority is responsible for the overall management of the Fund. Outputs support the management of the investment assets of the Fund to minimise the Crown's contributions, and the management of the GSF Schemes.

This Statement of Service Performance reports our progress against objectives and measures, including those set out in our 2024 Statement of Performance Expectations.

## Investment Management

### Best Practice

| Measure                                                                                                                                              | Expected Performance                                                                             | Actual Performance                                                                                                                                                                                                                                                                                                                                                                          |
|------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Five yearly Independent Statutory Review finds that GSFA meets its statutory obligations.                                                            | Review finds that GSFA meets its statutory obligations.                                          | <p><b>Not tested.</b></p> <p>The most recent statutory review was completed in 2021 and concluded, among other things, the Authority is effectively and efficiently meeting its statutory obligations. The review made several recommendations to improve governance and investment management processes and documentation to which the Board has responded.</p> <p>(2024: Not tested).</p> |
| Periodic independent review of the SIPSP finds GSFA has complied with it in all material respects.                                                   | Review finds that the SIPSP has been complied with by the GSFA.                                  | <p><b>Achieved.</b></p> <p>The Board has set a 3-yearly cycle for compliance review whereby one third of the SIPSP is reviewed each year by an independent party. The latest review, focusing on RI policies, found that GSFA is in compliance with the RI section of its SIPSP.</p> <p>(2024: Achieved).</p>                                                                               |
| Annual independent benchmarking of investment costs versus peers finds costs to be comparable when measured like for like in terms of size and risk. | Benchmarking finds costs to be comparable when measured like for like in terms of size and risk. | <p><b>Not achieved.</b></p> <p>In the most recent review, investment costs were 6.1 basis points above the peer median (after making appropriate adjustments as defined in the Statement of Performance Expectations).</p> <p>(2024: Partially achieved).</p>                                                                                                                               |



| Measure                                                                                         | Expected Performance                                                                    | Actual Performance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Quarterly monitoring of custodian to ensure it meets agreed service standards.                  | Custodian meets agreed service standards.                                               | <p><b>Partially achieved.</b></p> <p>Quarterly reviews of performance against KPIs found the custodian had met the majority of their agreed standards.</p> <p>(2024: Partially achieved).</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Ongoing monitoring of investment managers for compliance with investment management agreements. | Investment managers are monitored for compliance with Investment Management Agreements. | <p><b>Achieved.</b></p> <p>Listed equity and bond managers subject to an Investment Management Agreement are regularly monitored by the Custodian for compliance against the limits set in the IMA.</p> <p>All other managers are monitored for compliance with their respective agreements through investment manager compliance certificates.</p> <p>(2024: Achieved).</p>                                                                                                                                                                                                                                                                                                                      |
| Board reporting of engagements with CFIs, peer funds and experts to share knowledge.            | Collaborate and engage with CFIs, peer funds and experts to share knowledge.            | <p><b>Achieved.</b></p> <p>The Authority has ongoing collaboration with the Board of Trustees of the National Provident Fund through the two organisations' joint venture company, Annuitas Management Limited (AML). It also works closely with the Accident Compensation Corporation (ACC) and the Guardians of New Zealand Superannuation (GNZS), most notably on responsible investment matters. Engagement with peers and CFIs is reported to the Board quarterly. AML is a member of two global peer networks, the Thinking Ahead Institute and the International Centre for Pension Management. These two networks provide valuable knowledge sharing forums.</p> <p>(2024: Achieved).</p> |



## Return and Risk

| Measure                                                                    | Expected Performance                                                                                                   | Actual Performance (% pa) |             |             |             |            |            | SI <sup>1</sup> | Comment                                                                                                                                                                                       |
|----------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|---------------------------|-------------|-------------|-------------|------------|------------|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                            |                                                                                                                        |                           | 1 year      | 3 years     | 5 years     | 10 years   |            |                 |                                                                                                                                                                                               |
| Return and risk of Reference Portfolio (RP) vs NZ Government Bonds (NZGB). | The RP achieves better returns without undue risk compared to NZGB over 10 years and since inception.                  | <b>RP 2025:</b>           | <b>12.7</b> | <b>13.2</b> | <b>9.9</b>  | <b>8.7</b> | <b>7.7</b> |                 | <b>Achieved.</b>                                                                                                                                                                              |
|                                                                            |                                                                                                                        | <i>2024:</i>              | <i>14.9</i> | <i>4.7</i>  | <i>8.3</i>  | <i>8.5</i> | <i>7.5</i> |                 | The RP return is substantially ahead of NZGB over all periods.<br><br>(2024: Achieved).                                                                                                       |
|                                                                            |                                                                                                                        | <b>NZGB 2025:</b>         | <b>6.4</b>  | <b>3.4</b>  | <b>-0.9</b> | <b>2.1</b> | <b>4.5</b> |                 |                                                                                                                                                                                               |
|                                                                            |                                                                                                                        | <i>2024:</i>              | <i>4.7</i>  | <i>-2.3</i> | <i>-1.0</i> | <i>2.3</i> | <i>4.4</i> |                 |                                                                                                                                                                                               |
| Return of Actual Portfolio (AP) vs RP.                                     | The AP achieves better returns than the RP over 3-year and longer periods.                                             | <b>AP 2025:</b>           | <b>12.8</b> | <b>12.3</b> | <b>12.0</b> | <b>8.7</b> | <b>7.8</b> |                 | <b>Partially achieved.</b>                                                                                                                                                                    |
|                                                                            |                                                                                                                        | <i>2024:</i>              | <i>14.3</i> | <i>6.6</i>  | <i>8.9</i>  | <i>8.8</i> | <i>7.5</i> |                 | The AP is under the RP over 3 years, matches it over 10 years, and outperforms it across all other time horizons.<br>(2024: Partially achieved).                                              |
|                                                                            |                                                                                                                        | <b>RP 2025:</b>           | <b>12.7</b> | <b>13.2</b> | <b>9.9</b>  | <b>8.7</b> | <b>7.7</b> |                 |                                                                                                                                                                                               |
|                                                                            |                                                                                                                        | <i>2024:</i>              | <i>14.9</i> | <i>4.7</i>  | <i>8.3</i>  | <i>8.5</i> | <i>7.5</i> |                 |                                                                                                                                                                                               |
| Risk of under-performing NZ Government Bonds.                              | The portfolio's risk of under-performing NZ Government Bonds over a 10-year period by more than 10% is kept below 16%. |                           |             |             |             |            |            |                 | <b>Not achieved.</b><br><br>The estimated probability of the Fund under-performing New Zealand Government Bonds by more than 10% over a ten-year period is 17%.<br><br>(2024: Achieved, 15%). |

1 Since Inception



| Measure                                 | Expected Performance                                                           | Actual Performance (% pa)                         |            |             |             |            |            | SI <sup>1</sup> | Comment                                                         |
|-----------------------------------------|--------------------------------------------------------------------------------|---------------------------------------------------|------------|-------------|-------------|------------|------------|-----------------|-----------------------------------------------------------------|
|                                         |                                                                                |                                                   | 1 year     | 3 years     | 5 years     | 10 years   |            |                 |                                                                 |
| Fund volatility.                        | Fund volatility is aligned with the Reference Portfolio (RP) over all periods. | <b>Fund 2025:</b>                                 | <b>5.7</b> | <b>7.5</b>  | <b>8.0</b>  | <b>8.1</b> | <b>7.9</b> |                 | <b>Achieved.</b>                                                |
|                                         |                                                                                | <i>2024:</i>                                      | <i>6.7</i> | <i>8.3</i>  | <i>9.4</i>  | <i>7.9</i> | <i>8.0</i> |                 | (2024: Achieved).                                               |
|                                         |                                                                                | <b>RP 2025:</b>                                   | <b>7.8</b> | <b>10.0</b> | <b>10.1</b> | <b>9.6</b> | <b>9.0</b> |                 |                                                                 |
|                                         |                                                                                | <i>2024:</i>                                      | <i>9.7</i> | <i>10.9</i> | <i>11.4</i> | <i>9.4</i> | <i>9.1</i> |                 |                                                                 |
| Fund ex-ante active risk <sup>1</sup> . | Fund ex-ante active risk is kept below 3%.                                     | Fund ex-ante active risk at 30 June 2025 is 2.5%. |            |             |             |            |            |                 | <b>Achieved.</b>                                                |
|                                         |                                                                                |                                                   |            |             |             |            |            |                 | Fund ex-ante active risk was kept below 3% throughout the year. |
|                                         |                                                                                |                                                   |            |             |             |            |            |                 | (2024: Achieved).                                               |

## Avoiding Prejudice

| Measure                                                                                              | Expected Performance                                                                          | Actual Performance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Alignment of Fund's investments with relevant law, international agreements and Government policies. | Fund's investments align with relevant law, international agreements and Government policies. | <b>Achieved.</b> The Fund aligns with relevant law, international agreements and Government policies by excluding investments in activities that are illegal or contrary to NZ's international agreements. It also excludes tobacco investments.<br><br>(2024: Achieved).                                                                                                                                                                                                                                                                       |
| Carbon intensity of portfolio.                                                                       | On path to achieve 50% reduction in equity portfolio's carbon intensity by 2025.              | <b>Partially Achieved.</b> The Authority has made a public commitment to reduce the carbon intensity of the Fund's listed equity portfolio (from a 2019 baseline) by 50% by 2025. This measure relates to that commitment.<br><br>Carbon intensity of the listed equity portfolio is below 50% of the 2019 baseline measures.<br><br>This measure is stated as partially achieved as we are unable to access reliable data for private equity. The performance for 2024 has been restated on the same basis.<br><br>(2024: Partially Achieved). |

<sup>1</sup> A forward-looking estimate of the volatility of the Fund's excess return relative to the Reference Portfolio.



| Measure                                                                     | Expected Performance                                                                                   | Actual Performance                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Requirements of the Climate-related Disclosures Regime (CRD)                | Reporting in line with CRD requirements.                                                               | <p><b>Achieved.</b> The Authority published its inaugural CRD report, alongside publication of its 2024 Annual report in September 2024. Neither of these reports were required to be audited.</p> <p>(2024: Achieved).</p>                                                                                                                                                                                                                 |
| Engagement with entities that breach the Authority's standards.             | Any entities that breach the Authority's standards are engaged with.                                   | <p><b>Achieved.</b> The measure relates to securities held by the Fund. The Authority collaborates with GNZS and ACC to identify (with data sourced from third-party providers) those companies in breach of the Authority's standards. On our behalf, specialist engagement services provider, Columbia Threadneedle Investments, engages with companies breaching (or suspected of breaching) our standards.</p> <p>(2024: Achieved).</p> |
| Outcome of engagements with entities that breach the Authority's standards. | Any entities that fail to respond adequately to the Authority's engagements are excluded and divested. | <p><b>Achieved.</b> Most engagements are undertaken through a contracted global engagement service. Exclusion is a last resort when companies fail to respond adequately to engagements. No exclusions were made on this basis during this period.</p> <p>(2024: Achieved).</p>                                                                                                                                                             |
| Advice to investment managers on policies and excluded investments.         | Advice provided at least annually to investment managers on policies and excluded investments.         | <p><b>Achieved.</b> Managers are advised on both policies and exclusions when there is a change or at least annually.</p> <p>(2024: Achieved).</p>                                                                                                                                                                                                                                                                                          |
| Voting records published.                                                   | GSFA's voting records published every six months.                                                      | <p><b>Achieved.</b> Records are published on the website every six months.</p> <p>(2024: Achieved).</p>                                                                                                                                                                                                                                                                                                                                     |
| Reputational threats to the New Zealand Government or the Board.            | No negative publicity regarding the Government or the Board arising from portfolio investments.        | <p><b>Achieved.</b></p> <p>(2024: Achieved).</p>                                                                                                                                                                                                                                                                                                                                                                                            |



# Schemes

## Pay Entitlements

| Measure                               | Expected Performance                                                                        | Actual Performance                                                                                                                                                                                                                                         |
|---------------------------------------|---------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Annuities paid correctly and on time. | 100% of all annuities paid correctly and on time.                                           | <p><b>Not achieved.</b> A small number of annuities were found to have been incorrectly paid in previous years. These were remediated by 30 June 2025. The performance for 2024 has been restated due to the above error.</p> <p>(2024: Not achieved).</p> |
| Contributions banked and allocated.   | 100% of contributions banked on receipt and allocated as soon as verified as being correct. | <p><b>Achieved.</b> All contributions were banked on receipt and allocated as soon as verified as being correct.</p> <p>(2024: Achieved).</p>                                                                                                              |
| Routine correspondence responded to.  | 98% of routine correspondence responded to within 5 working days.                           | <p><b>Achieved.</b> 99.9% of all routine correspondence was responded to within 5 working days.</p> <p>(2024: Not achieved).</p>                                                                                                                           |



## Systems and Technology

| Measure                                                           | Expected Performance                                                                                                                | Actual Performance                                                                                                                                                      |
|-------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Maintain relevant business systems and business continuity plans. | No permanent loss or corruption of data.                                                                                            | <b>Achieved.</b> There was no permanent loss or corruption of data.<br>(2024: Achieved).                                                                                |
|                                                                   | Business system is available 98% of the time in any given month.                                                                    | <b>Achieved.</b> The business system was available more than 98% of the time in any given month.<br>(2024: Achieved).                                                   |
|                                                                   | No business system request deemed critical by GSFA outstanding for more than 3 months without appropriate remedial action in place. | <b>Achieved.</b> No critical business system request remained outstanding for more than three months without appropriate remedial action in place.<br>(2024: Achieved). |
|                                                                   | No significant cyber events                                                                                                         | <b>Achieved.</b> There were no significant cyber events.<br>(2024: Achieved).                                                                                           |
|                                                                   | No breach of member privacy                                                                                                         | <b>Not Achieved.</b> There were three minor breaches which did not reach the threshold for reporting to the Privacy Commissioner.<br>(2024: Achieved).                  |
|                                                                   | Business continuity plans in place.                                                                                                 | <b>Achieved.</b> Business continuity plans are in place.<br>(2024: Achieved).                                                                                           |



## Interpretation of the Act and Exercise of Discretionary Powers

| Measure                                                                                   | Expected Performance                                                                                                       | Actual Performance                                                                                                                                                                                                                                                                                                                                                |
|-------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Compliance with legislative requirements.                                                 | Interpretation of the provisions and exercise of discretionary powers comply with legislative requirements.                | <p><b>Partially achieved.</b> Due to a small number of annuities being incorrectly paid (in the current and previous years) we did not fully comply with the Government Superannuation Fund Act 1956. These errors were corrected by 30 June 2025.</p> <p>Other than the above, we complied with legislative requirements.</p> <p>(2024: Partially achieved).</p> |
| Service Level Agreements for requests for information in place and monitored.             | Timely response to all requests for information from stakeholders and meeting deadlines.                                   | <p><b>Achieved.</b> The timing for provision of information to stakeholders is clearly communicated. Service level agreements were met, and information provided within required timeframes.</p> <p>(2024: Achieved).</p>                                                                                                                                         |
| Satisfaction scores in the major aspects of the biennial survey of members and employers. | Consistently good (60% and over) satisfaction scores in the major aspects of the biennial survey of members and employers. | <p><b>Achieved.</b> The most recent survey was undertaken in 2025 and showed 83% satisfaction scores from members and 74% from employers. Survey questions were updated in this period.</p> <p>(2024: Partially Achieved).</p>                                                                                                                                    |



# Authority's Report

On behalf of the Authority, I am pleased to present this report on the Fund for the year ended 30 June 2025. The report is made in accordance with section 93B of the GSF Act.

The Fund dates back to 1948 when it was established to provide a way for state sector employees to save for their retirement. Contributors make regular payments to the Fund and in return, on retirement, receive a defined level of income. Employers, who are not funded directly by the Government, pay contributions as set by the Actuary, at the amount necessary to fund the balance of their employees' entitlements. The Government meets the balance of the costs of the employees' entitlements as they become payable. The Fund was largely closed to new members in 1992.

The Act provides for interest to be paid into or out of the Fund in respect of members' contributions or benefits. In respect of interest charged by the Fund, the rate is equivalent to the gross return on the Fund for the year. For the year ended 30 June 2025, the gross return was 13.4% before investment fees, tax and expenses (2024: 14.9%).

This annual report includes information on membership, and other matters required by the GSF Act. Commentary on the investment performance of the Fund starts on page 4.

Information on the Authority can be found commencing on page 2.

## Membership

Although the GSF Schemes were closed to new members in July 1992, and the Pacific Island sub-schemes closed on 22 October 1995, the GSF Schemes will continue to have a very substantial membership for many years.

Details of the membership of the GSF Schemes are set out on page 23.

**Anne Blackburn**

*Chair*

*Government Superannuation Fund Authority Board*

*29 August 2025*



# Regulatory Statement

In accordance with the Financial Markets Conduct Act 2013 the Authority states that, to the best of its knowledge and belief, for the financial year ended 30 June 2025:

- on the basis of evidence available, all contributions required to be made to the Fund, in accordance with the GSF Act, have been made or accrued;
- all benefits required to be paid from the Fund under the GSF Act have been paid; and
- due to the partially funded nature of the GSF Schemes, the market value of assets fell short of the accrued benefit liability of the Fund by \$6.489 billion (2024: \$6.680 billion). The deficiency is covered by Section 95 of the GSF Act, which requires the Minister of Finance to appropriate funds from public money to meet the annual deficiency in payments from the Fund.

**Anne Blackburn**

*Chair*

*Government Superannuation Fund Authority Board*

*29 August 2025*



# Membership Commentary

## Movement in Contributors During the Past Five Years

| Year ended 30 June | Total Contributors | Change in Contributors | Change        |
|--------------------|--------------------|------------------------|---------------|
| 2021               | 4,032              | -480                   | -10.64%       |
| 2022               | 3,610              | -422                   | -10.47%       |
| 2023               | 3,273              | -337                   | -9.34%        |
| 2024               | 2,965              | -308                   | -9.41%        |
| <b>2025</b>        | <b>2,674</b>       | <b>-291</b>            | <b>-9.81%</b> |

## Number of Contributors, by Scheme

| GSF Scheme                               | 2025         | % of 2025 Total | 2024  |
|------------------------------------------|--------------|-----------------|-------|
| General Scheme                           | <b>2,536</b> | <b>94.84%</b>   | 2,808 |
| Armed Forces                             | <b>45</b>    | <b>1.68%</b>    | 47    |
| Police                                   | <b>84</b>    | <b>3.14%</b>    | 100   |
| Prisons Service                          | <b>9</b>     | <b>0.34%</b>    | 10    |
| Judges and Solicitor-General             | -            | -               | -     |
| Parliamentary                            | -            | -               | -     |
| <b>Total contributors at end of year</b> | <b>2,674</b> | <b>100.00%</b>  | 2,965 |

## Movement in the Number of Contributors During the Year

|                                           | 2025         | 2024  |
|-------------------------------------------|--------------|-------|
| Contributors at beginning of year         | <b>2,965</b> | 3,273 |
| Cessation of employment before retirement | <b>-11</b>   | -17   |
| Death before retirement                   | <b>-11</b>   | -12   |
| Retirements                               | <b>-262</b>  | -272  |
| Transfer to other schemes                 | <b>-7</b>    | -8    |
| Withdrawals                               | <b>0</b>     | -1    |
| Re-enrolments                             | <b>0</b>     | 2     |
| <b>Total contributors at end of year</b>  | <b>2,674</b> | 2,965 |



## Movement in the Number of Annuitants During the Past Five Years

| Year ended 30 June | Total Annuitants | Change in Annuitants | Change        |
|--------------------|------------------|----------------------|---------------|
| 2021               | 43,413           | -481                 | -1.10%        |
| 2022               | 42,688           | -725                 | -1.67%        |
| 2023               | 41,710           | -979                 | -2.29%        |
| 2024               | 40,786           | -924                 | -2.22%        |
| <b>2025</b>        | <b>39,964</b>    | <b>-822</b>          | <b>-2.02%</b> |

## Movement in Number of Annuitants During the Year

|                                        | 2025          | 2024   |
|----------------------------------------|---------------|--------|
| Annuitants at beginning of year        | <b>40,786</b> | 41,710 |
| New retiring allowances                | <b>262</b>    | 272    |
| New allowances to spouses              | <b>677</b>    | 629    |
| Deferred pensions now in payment       | <b>229</b>    | 268    |
| Discontinued allowances                | <b>-1,990</b> | -2,093 |
| <b>Total annuitants at end of year</b> | <b>39,964</b> | 40,786 |

There were 1,560 deferred pensions at 30 June 2025 (2024: 1,789).

## Movement in Total Number of Members During the Past Five Years

| Year ended 30 June | Total Contributors | Total Annuitants | Total Deferred Pensions | Total Members | Decrease During Year |
|--------------------|--------------------|------------------|-------------------------|---------------|----------------------|
| 2021               | 4,032              | 43,413           | 2,629                   | 50,074        | -1,273               |
| 2022               | 3,610              | 42,688           | 2,330                   | 48,628        | -1,446               |
| 2023               | 3,273              | 41,710           | 2,057                   | 47,040        | -1,588               |
| 2024               | 2,965              | 40,786           | 1,789                   | 45,540        | -1,500               |
| <b>2025</b>        | <b>2,674</b>       | <b>39,964</b>    | <b>1,560</b>            | <b>44,198</b> | <b>-1,342</b>        |

Since 1996, the number of annuitants has exceeded the number of contributors. The present ratios are:

|                   | 2025          | %            | 2024   | %     |
|-------------------|---------------|--------------|--------|-------|
| Contributors      | <b>2,674</b>  | <b>6.1%</b>  | 2,965  | 6.5%  |
| Deferred pensions | <b>1,560</b>  | <b>3.5%</b>  | 1,789  | 3.9%  |
| Annuitants        | <b>39,964</b> | <b>90.4%</b> | 40,786 | 89.6% |
| <b>Total</b>      | <b>44,198</b> | <b>100%</b>  | 45,540 | 100%  |

## Granting a Charge Over Contributions

In the year to 30 June 2025, 2 charges (2024:1) were registered by the Fund in favour of charge holders as security over individual contributor's contributions.

# Financial Statements



# Statement of Responsibility

The Financial Statements of the Fund for the year ended 30 June 2025 have been prepared in accordance with Section 93 of the GSF Act.

The Authority is responsible for the preparation of the Financial Statements and the judgements made in the process of producing those statements.

The Authority confirms that:

- internal control systems have been established and maintained during the year to assure reasonable reliability and integrity of these Financial Statements; and
- the investment policies, standards, and procedures for the Fund, commencing on page 81, have been complied with.

In our opinion, the attached Financial Statements present a true and fair view of the net assets, as at 30 June 2025, and the changes in net assets and the cash flows of the Fund, for the year ended 30 June 2025.

**Anne Blackburn**

*Chair  
Government Superannuation  
Fund Authority Board*

**Tim Mitchell**

*Chief Executive*

29 August 2025



# Statement of Changes in Net Assets

For the Year Ended 30 June 2025

|                                                                   | Note | 2025<br>\$000<br>Actual | 2025<br>\$000<br>(unaudited)<br>Forecast | 2024<br>\$000<br>Actual |
|-------------------------------------------------------------------|------|-------------------------|------------------------------------------|-------------------------|
| <b>Change in assets from investing activities</b>                 |      |                         |                                          |                         |
| Interest, dividends and other income                              | 1    | 198,075                 | 92,284                                   | 166,631                 |
| Changes in fair value of investment assets through profit or loss | 2    | 537,171                 | 276,854                                  | 597,090                 |
|                                                                   |      | 735,246                 | 369,138                                  | 763,721                 |
| Operating activities                                              |      |                         |                                          |                         |
| Operating expenses                                                | 3    |                         |                                          |                         |
| Funding for the Authority                                         | 14   | (61,097)                | (42,479)                                 | (62,636)                |
| <b>Surplus before tax and membership activities</b>               |      | <b>674,149</b>          | 326,659                                  | 701,085                 |
| Income tax (expense)                                              | 4    | (61,102)                | (70,767)                                 | (94,700)                |
| <b>Surplus after tax and before membership activities</b>         |      | <b>613,047</b>          | 255,892                                  | 606,385                 |
| Membership activities                                             |      |                         |                                          |                         |
| Contributions                                                     |      |                         |                                          |                         |
| Government                                                        | 5    | 732,949                 | 705,000                                  | 741,743                 |
| Members                                                           |      | 10,400                  | 7,000                                    | 10,937                  |
| Other employers                                                   |      | 5,501                   | 6,000                                    | 6,111                   |
| <b>Total contributions</b>                                        |      | <b>748,850</b>          | 718,000                                  | 758,791                 |
| Benefits and refunds paid                                         | 6    | (1,026,728)             | (1,011,000)                              | (1,006,921)             |
| <b>Net membership activities</b>                                  |      | <b>(277,878)</b>        | (293,000)                                | (248,130)               |
| Net increase/(decrease) in net assets                             |      | <b>335,169</b>          | (37,108)                                 | 358,255                 |
| Opening net assets available to pay benefits                      |      | <b>5,504,211</b>        | 5,278,498                                | 5,145,956               |
| <b>Net assets available to pay benefits</b>                       |      | <b>5,839,380</b>        | 5,241,390                                | 5,504,211               |

This statement is to be read in conjunction with the Summary of Accounting Policies and the Notes to the Financial Statements.



# Statement of Net Assets

As at 30 June 2025

|                                                              | Note | 2025<br>\$000<br>Actual | 2025<br>\$000<br>(unaudited)<br>Forecast | 2024<br>\$000<br>Actual |
|--------------------------------------------------------------|------|-------------------------|------------------------------------------|-------------------------|
| Current assets held at fair value through profit or loss     |      |                         |                                          |                         |
| Derivative assets                                            | 13.4 | 83,313                  | 58,116                                   | 55,544                  |
| Current assets at amortised cost                             |      |                         |                                          |                         |
| Cash and cash equivalents                                    |      | 330,164                 | 254,567                                  | 412,907                 |
| Trade and other receivables                                  | 7    | 205,730                 | 141,271                                  | 315,830                 |
| <b>Total current assets at amortised cost</b>                |      | <b>535,894</b>          | <b>395,838</b>                           | <b>728,737</b>          |
| <b>Total current assets</b>                                  |      | <b>619,207</b>          | <b>453,954</b>                           | <b>784,281</b>          |
| Non-current assets held at fair value through profit or loss |      |                         |                                          |                         |
| Investments                                                  |      |                         |                                          |                         |
| Derivative assets                                            | 13.4 | 5,323                   | 12,871                                   | 12,301                  |
| Equities – New Zealand                                       |      | 536,960                 | 467,415                                  | 540,890                 |
| Equities – International                                     |      | 2,990,279               | 2,442,216                                | 2,709,369               |
| Global bonds                                                 |      | 821,448                 | 656,813                                  | 699,735                 |
| Global private equity                                        |      | 858,102                 | 773,143                                  | 856,534                 |
| Insurance-linked assets                                      |      | 262,841                 | 271,211                                  | 269,024                 |
| Other investments                                            |      | 84,431                  | 486,084                                  | 36,762                  |
| <b>Total investments</b>                                     | 13.4 | <b>5,559,384</b>        | <b>5,109,753</b>                         | <b>5,124,615</b>        |
| Other non-current assets                                     |      |                         |                                          |                         |
| Business System                                              | 8    | 3,434                   | 3,434                                    | 6,009                   |
| <b>Total non-current assets</b>                              |      | <b>5,562,818</b>        | <b>5,113,187</b>                         | <b>5,130,624</b>        |
| <b>Total assets</b>                                          |      | <b>6,182,025</b>        | <b>5,567,141</b>                         | <b>5,914,905</b>        |

This statement is to be read in conjunction with the Summary of Accounting Policies and the Notes to the Financial Statements.



# Statement of Net Assets (continued)

As at 30 June 2025

|                                                                          | Note | 2025<br>\$000<br>Actual | 2025<br>\$000<br>(unaudited)<br>Forecast | 2024<br>\$000<br>Actual |
|--------------------------------------------------------------------------|------|-------------------------|------------------------------------------|-------------------------|
| <b>Less liabilities</b>                                                  |      |                         |                                          |                         |
| <b>Current liabilities held at fair value through profit or loss</b>     |      |                         |                                          |                         |
| Derivative liabilities                                                   | 13.7 | 25,487                  | 49,324                                   | 20,323                  |
| <b>Current liabilities at amortised cost</b>                             |      |                         |                                          |                         |
| Trade and other payables                                                 | 9    | 256,864                 | 237,019                                  | 303,338                 |
| <b>Other current liabilities</b>                                         |      |                         |                                          |                         |
| Income tax payable                                                       | 4    | 53,192                  | 23,353                                   | 78,735                  |
| <b>Total current liabilities</b>                                         |      | <b>335,543</b>          | 309,696                                  | 402,396                 |
| <b>Non-current liabilities held at fair value through profit or loss</b> |      |                         |                                          |                         |
| Derivative liabilities                                                   | 13.7 | 6,141                   | 16,055                                   | 6,615                   |
| <b>Other non-current Liabilities</b>                                     |      |                         |                                          |                         |
| Deferred Tax liability                                                   | 4    | 961                     | -                                        | 1,683                   |
| <b>Total non-current liabilities</b>                                     |      | <b>7,102</b>            | 16,055                                   | 8,298                   |
| <b>Total liabilities</b>                                                 |      | <b>342,645</b>          | 325,751                                  | 410,694                 |
| <b>Net assets available to pay benefits</b>                              |      | <b>5,839,380</b>        | 5,241,390                                | 5,504,211               |
| Promised retirement benefits                                             |      |                         |                                          |                         |
| Gross liability for promised retirement benefits                         | 12   | 12,328,000              | 11,912,000                               | 12,184,000              |
| Deficit                                                                  |      | 6,488,620               | 6,670,610                                | 6,679,789               |
| <b>Net assets available to pay benefits</b>                              |      | <b>5,839,380</b>        | 5,241,390                                | 5,504,211               |

The Financial Statements were approved by the Board on 29 August 2025.

**Anne Blackburn**

Chair  
Government Superannuation Fund Authority Board

29 August 2025

**Michael Sang**

Chair, Audit and Risk Review Committee  
Government Superannuation Fund Authority Board



# Statement of Cash Flows

For the Year Ended 30 June 2025

|                                                         | 2025<br>\$000<br>Actual | 2025<br>\$000<br>(unaudited)<br>Forecast | 2024<br>\$000<br>Actual |
|---------------------------------------------------------|-------------------------|------------------------------------------|-------------------------|
| <b>Cash flows from operating activities<sup>1</sup></b> |                         |                                          |                         |
| Cash was provided from:                                 |                         |                                          |                         |
| Government contributions – members                      | 682,790                 | 661,370                                  | 694,589                 |
| Government contributions – expenses                     | 41,600                  | 41,630                                   | 41,600                  |
| Members' contributions                                  | 9,968                   | 7,000                                    | 11,065                  |
| Other employers' contributions – members                | 4,691                   | 4,053                                    | 4,972                   |
| Other employers' contributions - expenses               | 1,800                   | 1,467                                    | 1,800                   |
| Interest, dividends and other income                    | 193,447                 | 91,284                                   | 164,641                 |
| Cash was disbursed to:                                  |                         |                                          |                         |
| Benefit payments                                        | (1,027,822)             | (1,011,000)                              | (1,005,866)             |
| Income tax                                              | (86,765)                | (105,504)                                | (2,361)                 |
| Operating expenses                                      | (54,321)                | (41,979)                                 | (59,811)                |
| <b>Net cash outflows from operating activities</b>      | <b>(234,612)</b>        | <b>(351,679)</b>                         | <b>(149,371)</b>        |
| <b>Cash flows from investing activities<sup>2</sup></b> |                         |                                          |                         |
| Cash was provided from:                                 |                         |                                          |                         |
| Maturities and sales of investment assets               | 6,945,551               | 4,799,624                                | 4,907,685               |
| Cash was disbursed to:                                  |                         |                                          |                         |
| Purchase of investment assets                           | (6,793,682)             | (4,435,823)                              | (4,686,425)             |
| <b>Net cash inflows from investing activities</b>       | <b>151,869</b>          | <b>363,801</b>                           | <b>221,260</b>          |
| Net (decrease)/increase in cash held                    | (82,743)                | 12,122                                   | 71,889                  |
| Opening cash and cash equivalents                       | 412,907                 | 242,445                                  | 341,018                 |
| <b>Closing cash and cash equivalents<sup>3</sup></b>    | <b>330,164</b>          | <b>254,567</b>                           | <b>412,907</b>          |

1 Operating activities include any activities that are the result of normal business activities (excluding investing activities).

2 Investing activities comprise acquisition and disposal of investments. Investments include securities not falling within the definition of cash. Included within the sales and purchases is an in-specie transfer within the Fermat Fund.

3 Cash and cash equivalents comprise cash balances held with banks in New Zealand and overseas. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments. Only items that have a maturity of three months or less, from acquisition date, are classified as cash and cash equivalents.

This statement is to be read in conjunction with the Summary of Accounting Policies and the Notes to the Financial Statements.



# Statement of Changes in Deficit

For the Year Ended 30 June 2025

|                                                     | 2025<br>\$000<br>Actual | 2025<br>\$000<br>(unaudited)<br>Forecast | 2024<br>\$000<br>Actual |
|-----------------------------------------------------|-------------------------|------------------------------------------|-------------------------|
| <b>Opening deficit at the beginning of the year</b> | <b>(6,679,789)</b>      | (7,013,502)                              | (7,497,044)             |
| Change in liabilities amount                        | <b>(144,000)</b>        | 380,000                                  | 459,000                 |
| Change in Net Assets                                | <b>335,169</b>          | (37,108)                                 | 358,255                 |
| <b>Closing deficit at the end of the year</b>       | <b>(6,488,620)</b>      | (6,670,610)                              | (6,679,789)             |

## Note – Deficit

- The estimated actuarial present value of Promised Retirement Benefits (Gross Liability) – refer note 12 – is the present value of the expected payments by the Fund to existing and past members, attributable to the services rendered. The present value was calculated by the Authority's Actuary, as at 30 June 2025, under NZ IAS 26, using a net discount rate.
- The Deficit is the value of the Gross Liability less the value of the Net Assets of the Fund.
- There is no requirement on the Crown to fully fund the Deficit in relation to the GSF Schemes. The Crown meets its obligation to pay members' entitlements on an as required basis.
- Reliance is placed by the Authority on the provisions of section 95 of the Act which requires the Minister to appropriate funds from public money to ensure sufficient funds are available, or will be available, to pay entitlements as they fall due.



# Reconciliation of Net Changes in Net Assets to Net Operating Cash Flows

For the Year Ended 30 June 2025

|                                                                                         | 2025<br>\$000    | 2024<br>\$000    |
|-----------------------------------------------------------------------------------------|------------------|------------------|
| <b>Net increase in net assets</b>                                                       | <b>335,169</b>   | <b>358,255</b>   |
| Non-cash items                                                                          |                  |                  |
| Deferred tax expense                                                                    | (722)            | 8,593            |
| Amortisation of the Business System                                                     | 2,575            | 2,575            |
| <b>Total non-cash items</b>                                                             | <b>1,853</b>     | <b>11,168</b>    |
| <b>Movements in working capital items</b>                                               |                  |                  |
| Benefits payable                                                                        | 8                | (9)              |
| Government contributions received - benefits                                            | (284)            | (771)            |
| Income tax                                                                              | (25,543)         | 85,120           |
| Investment payables                                                                     | (50,337)         | 34,078           |
| Investment receivables                                                                  | 120,884          | (135,940)        |
| Members' contributions and other employers' contributions received in advance – benefit | (637)            | 1,071            |
| Other employers' contributions received in advance – expenses                           | 578              | 547              |
| Receivables and prepayments                                                             | (10,783)         | (5,987)          |
| Trade and other payables                                                                | 4,198            | 247              |
| <b>Total movement in working capital items</b>                                          | <b>38,084</b>    | <b>(21,644)</b>  |
| <b>Changes in items classified as investing activities</b>                              |                  |                  |
| Accrued interest portion of bonds                                                       | (2,000)          | (1,922)          |
| Change in fair value of investment assets                                               | (537,171)        | (597,090)        |
| Investment settlement receivables                                                       | (120,884)        | 135,940          |
| Investment settlement payables                                                          | 50,337           | (34,078)         |
| <b>Total movement in investing activities</b>                                           | <b>(609,718)</b> | <b>(497,150)</b> |
| <b>Net cash out flows from operating activities</b>                                     | <b>(234,612)</b> | <b>(149,371)</b> |

This statement is to be read in conjunction with the Summary of Accounting Policies and the Notes to the Financial Statements.



# Judges and Solicitor-General Superannuation

## Statement of Changes in Net Assets

For the Year Ended 30 June 2025

|                                           | 2025<br>\$000 | 2024<br>\$000 |
|-------------------------------------------|---------------|---------------|
| <b>Income from operations<sup>1</sup></b> |               |               |
| Government contributions                  | 15,196        | 15,341        |
| <b>Total contributions</b>                | <b>15,196</b> | <b>15,341</b> |
| <b>Expenditure</b>                        |               |               |
| Benefits paid:                            |               |               |
| Retirements                               | 11,739        | 12,055        |
| Spouses and children                      | 3,457         | 3,286         |
| <b>Total Benefits paid</b>                | <b>15,196</b> | <b>15,341</b> |
| <b>Net changes in net assets</b>          | <b>-</b>      | <b>-</b>      |

1 These figures are incorporated in the Government Superannuation Fund Statement of Changes in Net Assets.



# Parliamentary Superannuation

## Statement of Changes in Net Assets

For the Year Ended 30 June 2025

|                                           | 2025<br>\$000 | 2024<br>\$000 |
|-------------------------------------------|---------------|---------------|
| <b>Income from operations<sup>1</sup></b> |               |               |
| Government contributions                  | 4,689         | 4,761         |
| <b>Total contributions</b>                | <b>4,689</b>  | <b>4,761</b>  |
| <b>Expenditure</b>                        |               |               |
| Benefits paid:                            |               |               |
| Retirements                               | 3,876         | 3,900         |
| Spouses and children                      | 813           | 861           |
| <b>Total Benefits paid</b>                | <b>4,689</b>  | <b>4,761</b>  |
| <b>Net changes in net assets</b>          | <b>-</b>      | <b>-</b>      |

<sup>1</sup> These figures are incorporated in the Government Superannuation Fund Statement of Changes in Net Assets.



# Notes to the Financial Statements

For the Year Ended 30 June 2025

## 1. Interest, Dividends and Other Income

|                                                   | 2025<br>\$000  | 2024<br>\$000  |
|---------------------------------------------------|----------------|----------------|
| Equities – International                          | 41,165         | 38,147         |
| Equities – New Zealand                            | 16,421         | 24,842         |
| Global bonds                                      | 36,235         | 27,344         |
| Global private equity                             | 63,708         | 28,899         |
| Insurance-linked assets                           | -              | 429            |
| Short term and call deposits                      | 2,391          | 1,096          |
| Other income                                      | 38,155         | 45,874         |
| <b>Total interest, dividends and other income</b> | <b>198,075</b> | <b>166,631</b> |

## 2. Changes in Fair Values of Investment Assets through Profit or Loss<sup>1</sup>

|                                                                                 | 2025<br>\$000  | 2024<br>\$000  |
|---------------------------------------------------------------------------------|----------------|----------------|
| Equities                                                                        | 475,985        | 555,370        |
| Global bonds                                                                    | 7,050          | 6,194          |
| Global private equity                                                           | (25,865)       | (4,409)        |
| Insurance-linked assets (net)                                                   | 34,487         | 49,777         |
| Other investments                                                               | 45,514         | (9,842)        |
| <b>Total changes in fair values of investment assets through profit or loss</b> | <b>537,171</b> | <b>597,090</b> |

<sup>1</sup> Includes changes resulting from hedging (where applicable).

## 3. Operating Expenses

In terms of section 15E (1) of the GSF Act, the administrative expenses of the Authority, including investment management and custody expenses, are reimbursed by the Fund. Both the Government and other employers reimburse the Fund under section 95 of the GSF Act for the Authority's expenses. In the reporting period (from 1 July 2024), as certified by the Actuary, the Government contributed 98% (from 1 July 2023: 98%) of the Authority's administrative expenses reimbursed by the Fund. Other employers contributed the balance of 2% (from 1 July 2023: 2%).



## 4. Income Tax

|                                                             | 2025<br>\$000   | 2024<br>\$000   |
|-------------------------------------------------------------|-----------------|-----------------|
| <b>Reconciliation to statement of changes in net assets</b> |                 |                 |
| Surplus before tax and membership activities                | 674,149         | 701,085         |
| Add imputation credits                                      | 3,502           | 3,278           |
| Net taxable income                                          | 677,651         | 704,363         |
| Tax expense at 28%                                          | 189,742         | 197,222         |
| Tax effect:                                                 |                 |                 |
| Non-taxable (gains) on equity investments                   | (179,361)       | (148,441)       |
| Foreign Investment Fund income                              | 54,508          | 49,088          |
| Prior period adjustment                                     | (418)           | 35              |
| Imputation credits                                          | (3,502)         | (3,278)         |
| Withholding tax                                             | 133             | 74              |
| <b>Income tax expense</b>                                   | <b>61,102</b>   | <b>94,700</b>   |
| <b>Income tax expense comprises:</b>                        |                 |                 |
| Current tax                                                 | 62,242          | 95,386          |
| Deferred tax                                                | (722)           | (721)           |
| Prior period adjustment                                     | (418)           | 35              |
| <b>Income tax expense</b>                                   | <b>61,102</b>   | <b>94,700</b>   |
| <b>Movement in deferred taxation</b>                        |                 |                 |
| Opening balance                                             | (1,683)         | 6,910           |
| Current year movement                                       | 722             | 721             |
| Transfer to current tax                                     | -               | (9,314)         |
| <b>Deferred tax liability<sup>1</sup></b>                   | <b>(961)</b>    | <b>(1,683)</b>  |
| <b>Movement in income tax (payable)/receivable</b>          |                 |                 |
| Opening balance                                             | (78,735)        | 6,385           |
| Current year movement                                       | (62,242)        | (95,386)        |
| Prior period adjustment                                     | 418             | (35)            |
| Tax payments/(refunds)                                      | 84,106          | 149             |
| Transfer from deferred tax                                  | -               | 9,314           |
| Withholding tax/Other                                       | 3,261           | 838             |
| <b>Income tax payable</b>                                   | <b>(53,192)</b> | <b>(78,735)</b> |

1 The deferred tax liability of \$0.961 million (2024:1.683 million) relates to the Business System.



## 5. Government and Employer Contributions

|                                                           | 2025<br>\$000  | 2024<br>\$000  |
|-----------------------------------------------------------|----------------|----------------|
| Government service superannuation contributions           | 653,189        | 660,258        |
| Government Superannuation Fund Authority expenses         | 59,875         | 61,383         |
| Judges and Solicitor-General superannuation contributions | 15,196         | 15,341         |
| Parliamentary superannuation contributions                | 4,689          | 4,761          |
| <b>Total Government contributions</b>                     | <b>732,949</b> | <b>741,743</b> |

### 5.1 Funding Arrangements

There is no requirement on the Government to fully fund the GSF Schemes. The basis of funding to meet benefits is from contributors' contributions, and the surplus after-tax (when applicable), the balance being the contributions from the Government and non-departmental employers. Reliance is placed on the provisions in the GSF Act for the Government to ensure sufficient funds are available, or will be available, to pay benefits as they fall due.

| <b>GSF Schemes – Member contributions</b> | <b>% of salary</b> |
|-------------------------------------------|--------------------|
| General Scheme (including Islands)        | 6.5                |
| Armed Forces                              | 7.6                |
| Police                                    | 7.5                |
| Prisons Service                           | 8.5                |

| <b>GSF Schemes – Employer contributions<sup>1</sup></b> | <b>1 July 2024<br/>to 30 June<br/>2025<br/>% of salary</b> | <b>1 July 2023<br/>to 30 June<br/>2024<br/>% of salary</b> |
|---------------------------------------------------------|------------------------------------------------------------|------------------------------------------------------------|
| General Scheme:                                         |                                                            |                                                            |
| - Non-funding employers <sup>2</sup>                    | 14.4                                                       | 13.9                                                       |
| - Funding except Islands (range) <sup>3</sup>           | 14.4 – 18.5                                                | 14.6 – 18.1                                                |
| - Islands                                               | 17.2                                                       | 16.6                                                       |
| Armed Forces                                            | 12.7                                                       | 12.7                                                       |
| Police                                                  | 2.0                                                        | 8.6                                                        |
| Prisons Service                                         | Nil                                                        | Nil                                                        |

1 Employer contribution rates are inclusive of ESCT, except for the Islands. The Crown receives contribution rates gross of ESCT. The Fund receives employer contributions net of ESCT.

2 Non-funding employer contributions are paid by employers direct to the Crown.

3 As the employer contribution rate is subject to age and gender of contributors, it is different from one employer to another and the range for the rates is provided.



## 6. Benefits and Refunds Paid

|                                        | 2025<br>\$000    | 2024<br>\$000    |
|----------------------------------------|------------------|------------------|
| <b>Benefits:</b>                       |                  |                  |
| Allowances capitalised                 | 13,065           | 13,240           |
| Pension entitlements                   | 852,009          | 833,713          |
| Spouses and children                   | 153,827          | 148,882          |
| <b>Refunds:</b>                        |                  |                  |
| Cessation of membership                | 1,310            | 1,363            |
| Death                                  | 1,345            | 2,564            |
| Transfers to other schemes             | 5,172            | 7,159            |
| <b>Total benefits and refunds paid</b> | <b>1,026,728</b> | <b>1,006,921</b> |

## 7. Trade and Other Receivables

|                                          | 2025<br>\$000  | 2024<br>\$000  |
|------------------------------------------|----------------|----------------|
| Government contributions – expenses      | 18,035         | 8,688          |
| Interest and dividends                   | 3,349          | 2,553          |
| Investment settlements receivable        | 182,608        | 303,492        |
| Past service contributions               | 272            | 147            |
| Pension entitlements                     | 715            | 655            |
| Prepaid benefits                         | 751            | 295            |
| <b>Total trade and other receivables</b> | <b>205,730</b> | <b>315,830</b> |

The Authority does not believe there are any financial assets past due at balance date and, therefore, there is no impairment.

## 8. Business System

The Business System is used for the administration of the GSF Schemes. It supports the core business functions of the GSF Schemes including contributions management, benefit calculation and payment, scheme administration, financial accounting and schemes reporting.

The Authority went live with the Business System in November 2016. Amortisation costs of \$2.575 million are included within the operating expenses of the Fund (2024: \$2.575 million). At year end the Business System was reviewed against NZ IAS 36: Impairment of Assets which resulted in no provision for impairment being made (2024: Nil).



## 9. Trade and Other Payables

|                                                | 2025<br>\$000  | 2024<br>\$000  |
|------------------------------------------------|----------------|----------------|
| Benefits payable                               | 44             | 36             |
| Government contributions in advance – benefits | 4,021          | 4,305          |
| Government Superannuation Fund Authority       | 7,634          | 3,436          |
| Investment settlements payable                 | 244,232        | 294,569        |
| Members' contributions                         | -              | 420            |
| Other employers' contributions – benefits      | -              | 217            |
| Other employers' contributions – expenses      | 933            | 355            |
| <b>Total trade and other payables</b>          | <b>256,864</b> | <b>303,338</b> |

## 10. Actuarial Valuations of the Fund

### 10.1 Statutory Actuarial Valuation

Section 94 of the GSF Act requires that the Authority must obtain a report from an actuary that examines the financial position of the Fund as at dates determined by the Minister of Finance, being dates that are no more than three years apart. On 22 August 1999, the Minister directed annual valuations be carried out.

The latest published statutory actuarial valuation was undertaken by the Authority's Actuary, Louise Campbell, (FNZSA, FIAA), Towers Watson Australia Pty Ltd as at 30 June 2024. The report was tabled in Parliament on 31 January 2025. More information on the results of the valuation is provided in Note 11.

### 10.2 New Zealand International Accounting Standards NZ IAS 26 Actuarial Valuation

An actuarial valuation of the Fund was undertaken by the Authority's Actuary, Louise Campbell, (FNZSA, FIAA), Towers Watson Australia Pty Ltd as at 30 June 2025 to determine the value of the promised retirement benefits, in accordance with NZ IAS 26, for the Financial Statements of the Fund – refer Note 12.

## 11. Statutory Actuarial Valuation as at 30 June 2024

Details of the statutory actuarial valuation, as at 30 June 2024, are included for information only. The statutory actuarial valuation is used to determine the employer subsidy rates and to apportion entitlements between the Fund and Government.

Significant assumptions, used in the statutory valuation were:

- Discount rate/return on assets 5.50% per annum (2023:5.25%)
- Consumer Price Index/pension increase (long term) 2.00% per annum (2023:2.0%)
- Salary growth 2.50% per annum (2023:2.5%)

Rates of mortality, morbidity and withdrawal are based on scheme experience, with that experience being used to adjust standard published tables where available.



## 11. Statutory Actuarial Valuation as at 30 June 2024 (continued)

The results of the 30 June 2024 statutory actuarial valuation are:

|                                                    | 2024<br>\$ million | 2023<br>\$ million |
|----------------------------------------------------|--------------------|--------------------|
| <b>Past service liabilities</b>                    |                    |                    |
| Armed Forces contributors                          | 2                  | 4                  |
| General Scheme contributors (excluding Islands)    | 850                | 995                |
| General Scheme contributors (Islands only)         | 54                 | 59                 |
| Police contributors                                | 106                | 118                |
| Prisons Service contributors                       | 4                  | 6                  |
| Pensioners                                         | 10,672             | 10,900             |
| Deferred pensioners                                | 496                | 560                |
| <b>Total past service liabilities<sup>1</sup></b>  | <b>12,184</b>      | <b>12,643</b>      |
| Less value of Fund assets                          | 5,504              | 5,146              |
| <b>Unfunded past service liability<sup>1</sup></b> | <b>6,680</b>       | <b>7,498</b>       |

<sup>1</sup> Total may not add up due to rounding.

Vested benefits are calculated as the amount payable in the event all contributors ceased membership as at the valuation date. The vested benefit values are shown in the table on the next page, where contributors include the inactive members. The ratio of vested benefits to past service liabilities is also shown.

| Schemes/Group                    | 2024<br>\$ million<br>As a percentage of<br>service liability | 2024<br>\$ million | 2023<br>\$ million |
|----------------------------------|---------------------------------------------------------------|--------------------|--------------------|
| <b>Vested Benefits</b>           |                                                               |                    |                    |
| Contributors:                    |                                                               |                    |                    |
| Armed Forces                     | 113%                                                          | 3                  | 4                  |
| General Scheme-excluding Islands | 112%                                                          | 951                | 1,126              |
| General Scheme-Islands           | 108%                                                          | 58                 | 64                 |
| Police                           | 100%                                                          | 106                | 119                |
| Prisons Service                  | 100%                                                          | 4                  | 6                  |
| <b>Total Contributors</b>        | <b>110%</b>                                                   | <b>1,122</b>       | <b>1,320</b>       |
| Pensioners:                      |                                                               |                    |                    |
| Pensioners                       | 100%                                                          | 10,672             | 10,900             |
| Deferred pensioners              | 100%                                                          | 496                | 560                |
| <b>Total Pensioners</b>          | <b>100%</b>                                                   | <b>11,168</b>      | <b>11,461</b>      |
| <b>Grand total</b>               | <b>101%</b>                                                   | <b>12,289</b>      | <b>12,780</b>      |
| Less net assets                  |                                                               | 5,504              | 5,146              |
| <b>Shortfall<sup>1</sup></b>     |                                                               | <b>6,785</b>       | <b>7,634</b>       |

<sup>1</sup> Total may not add up due to rounding.



## 11. Statutory Actuarial Valuation as at 30 June 2024 (continued)

The Fund has been closed to new entrants since 1992. Members with 10 or more years' service are generally eligible to take an immediate or deferred retiring allowance on leaving the Fund. As a result, almost all members in the Fund can take either an immediate pension or a deferred retiring allowance.

The total value of these pensions for all members, as at the valuation date, is the vested benefits.

Members will retire at dates later than 30 June 2024. The pension they receive at their actual retirement date can be split into that part accrued at the valuation date and that which will accrue after the valuation date. The net asset value of the Fund was used as the actuarial value of the assets.

The valuation revealed the Fund was in deficit at the date of the valuation. The benefits payable from the Fund are underwritten by the Government. The Actuary determined that from 1 July 2025, the Government pays 61.8% of each benefit paid (2023 valuation, from 1 July 2024: 65.3%) less any amounts received from funding employers.

Employer contribution rates as from 1 July 2025, including employer superannuation contribution tax (**ESCT**) (if applicable), are as follows:

- for funding employers (employers of those contributors who are paid from money that is not public money) the employer contribution rate has been calculated on an employer-by-employer basis, based solely on the members employed by each employer;
- for employers that are the Public Services of the Cook Islands, Niue or Tokelau, the employer contribution rate is certified as 16.6% (2024: 17.2%) of contributor salaries; and
- for funding employers other than the Public Services of the Cook Islands, Niue or Tokelau, contributions are calculated on an employer-by-employer basis only on the contributors employed by that employer. The resulting employer rates are then smoothed to reduce the immediate impact of a change in valuation methodology. At 30 June 2024 there were no funding employers who had to have their contributions for 2025/26 based on a smoothed rate. Contribution rates include ESCT and an allowance for expenses. A sample of average contribution rates at selected ages (and ESCT at 39%), is set out in the following table by age and gender.

| Age | Males | Females |
|-----|-------|---------|
| 55  | 16.8% | 16.8%   |
| 57  | 17.2% | 17.3%   |
| 59  | 17.5% | 17.6%   |
| 61  | 17.6% | 17.6%   |
| 63  | 17.3% | 17.3%   |
| 65  | 16.1% | 16.2%   |
| 67  | 15.2% | 15.3%   |
| 69  | 14.6% | 14.7%   |
| 71  | 14.2% | 14.0%   |

For non-funding employers (employers of those contributors who are paid from money that is public money) the employer contribution rate has been determined under a notional funding approach. The employer contribution rates including ESCT recommended in the statutory actuarial valuation report as at 30 June 2024, effective from 1 July 2025, are as follows:

- for the Armed Forces Scheme: a rate of 11.5% of contributor salaries;
- for the General Scheme: a rate of 13.7% of contributor salaries;
- for the Police Scheme: a rate of 0% of contributor salaries;
- for the Prisons Service Scheme: a rate of 0% of contributor salaries;



## 11. Statutory Actuarial Valuation as at 30 June 2024 (continued)

- for the Judges and Solicitor-General Scheme: an amount equal to the benefits payable; and
- for the Parliamentary Scheme: an amount equal to the benefits payable.

## 12. Gross Liability for Promised Retirement Benefits as at 30 June 2025

The Actuary has valued the promised retirement benefits in accordance with NZ IAS 26, as at 30 June 2025, for the purposes of the Fund's Financial Statements. Significant assumptions, used in the valuation, were:

- Discount rate/return on assets 5.00% per annum
- Consumer Price Index/pension increase (long term) 2.0% per annum
- Salary growth 2.5% per annum

| <b>Movement in promised retirement/past service benefit liability</b>         | <b>2025<br/>\$ million</b> | <b>2024<br/>\$ million</b> |
|-------------------------------------------------------------------------------|----------------------------|----------------------------|
| Opening gross promised retirement/past service benefit liability              | <b>12,184</b>              | 12,643                     |
| Movements in liability                                                        |                            |                            |
| Expected changes                                                              | <b>(374)</b>               | (351)                      |
| Experience (gains)/losses                                                     | <b>29</b>                  | 149                        |
| Assumption changes:                                                           |                            |                            |
| Change in discount rate, Consumer Price Index and salary assumption           | <b>489</b>                 | (258)                      |
| Change in demographic assumption (including mortality improvement)            |                            | -                          |
| Closing gross promised retirement/past service benefit liability <sup>1</sup> | <b>12,328</b>              | 12,184                     |

<sup>1</sup> Total may not add up due to rounding.

### Vested Benefits – 30 June 2025

Vested benefits are calculated as the amount payable in the event all contributors ceased membership as at the valuation date. The vested benefit values, as at 30 June 2025, are shown in the following table, where contributors include the inactive members.

| <b>Vested benefits</b> | <b>2025<br/>\$ million</b> | <b>2024<br/>\$ million</b> |
|------------------------|----------------------------|----------------------------|
| Contributors           | <b>1,014</b>               | 1,122                      |
| Pensioners:            |                            |                            |
| Current pensioners     | <b>10,908</b>              | 10,672                     |
| Deferred pensioners    | <b>489</b>                 | 496                        |
| Total pensioners       | <b>11,397</b>              | 11,168                     |
| Total vested benefits  | <b>12,411</b>              | 12,289                     |
| Less net assets        | <b>5,839</b>               | (5,504)                    |
| Shortfall <sup>1</sup> | <b>6,571</b>               | 6,785                      |

<sup>1</sup> Total may not add up due to rounding.



## 13. Financial Instruments

### 13.1 Management of Financial Instruments

The investments of the Fund are managed on behalf of the Authority by specialist investment managers, which are required to invest the assets allocated for management in accordance with the terms of written investment management agreements. The Authority has determined that the appointment of these managers is appropriate for the Fund and is in accordance with the Authority's Statement of Investment Policies, Standards and Procedures (SIPSP).

JP Morgan Chase Bank acts as the global custodian on behalf of the Authority. They provide services including safekeeping of assets, settlement of trades, collection of investment income, and accounting for investment transactions.

### 13.2 Capital Risk Management

The investment strategy, Reference Portfolio and Target Portfolio are reviewed regularly by the Authority, in conjunction with its advisers (see page 4). Management reviews, on behalf of the Authority, and generally on a monthly basis, the cash requirements and funding of the GSF Schemes, in the context of maintaining the Target Portfolio, and redeems or invests funds as appropriate.

### 13.3 Categories of Financial Instruments

The Fund recognises all financial assets and liabilities at fair value, or at amortised cost, as detailed in the Summary of Accounting Policies.

|                                         | 2025<br>\$000 | 2024<br>\$000 |
|-----------------------------------------|---------------|---------------|
| Financial assets at fair value          | 5,642,697     | 5,180,159     |
| Financial liabilities at fair value     | 31,628        | 26,938        |
| Financial assets at amortised cost      | 535,894       | 728,737       |
| Financial liabilities at amortised cost | 256,864       | 303,338       |



## 13. Financial Instruments (continued)

### 13.4 Fair Value Measurements Recognised in the Statement of Net Assets

The following table provides an analysis of the financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets to identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs, other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| 2025                                       | Level 1<br>\$000 | Level 2<br>\$000 | Level 3<br>\$000 | Total<br>\$000   |
|--------------------------------------------|------------------|------------------|------------------|------------------|
| <b>Financial assets at fair value</b>      |                  |                  |                  |                  |
| Derivative financial assets                | -                | 88,636           | -                | 88,636           |
| Insurance-linked assets                    |                  |                  |                  |                  |
| North America                              | -                | 174,521          | 88,320           | 262,841          |
| Investments in cash                        |                  |                  |                  |                  |
| Asia & Australia                           | 39,707           | -                | -                | 39,707           |
| New Zealand                                | 44,724           | -                | -                | 44,724           |
| Investments in equities                    |                  |                  |                  |                  |
| Asia & Australia                           | 339,044          | -                | -                | 339,044          |
| Europe                                     | 456,011          | -                | -                | 456,011          |
| New Zealand                                | 343,849          | -                | 193,111          | 536,960          |
| North America                              | 1,360,819        | 812,314          | -                | 2,173,133        |
| Rest of the world                          | 22,091           | -                | -                | 22,091           |
| Investments in bonds                       |                  |                  |                  |                  |
| Asia & Australia                           | 96,275           | -                | -                | 96,275           |
| Europe                                     | 249,880          | -                | -                | 249,880          |
| New Zealand                                | 691              | -                | -                | 691              |
| North America                              | 432,289          | -                | -                | 432,289          |
| Rest of the world                          | 42,313           | -                | -                | 42,313           |
| Investments in global private equity       |                  |                  |                  |                  |
| North America                              | -                | -                | 858,102          | 858,102          |
|                                            | <b>3,427,693</b> | <b>1,075,471</b> | <b>1,139,533</b> | <b>5,642,697</b> |
| <b>Financial liabilities at fair value</b> |                  |                  |                  |                  |
| Derivative financial liabilities           | -                | 31,628           | -                | 31,628           |
|                                            | -                | 31,628           | -                | 31,628           |



### 13. Financial Instruments (continued)

#### 13.4 Fair Value Measurements Recognised in the Statement of Net Assets (continued)

| 2024                                       | Level 1<br>\$000 | Level 2<br>\$000 | Level 3<br>\$000 | Total<br>\$000 |
|--------------------------------------------|------------------|------------------|------------------|----------------|
| <b>Financial assets at fair value</b>      |                  |                  |                  |                |
| Derivative financial assets                | -                | 67,845           | -                | 67,845         |
| Insurance-linked assets                    |                  |                  |                  |                |
| North America                              | -                | 164,998          | 104,026          | 269,024        |
| Investments in cash                        |                  |                  |                  |                |
| Asia & Australia                           | 7,441            | -                | -                | 7,441          |
| New Zealand                                | 29,321           | -                | -                | 29,321         |
| Investments in equities                    |                  |                  |                  |                |
| Asia & Australia                           | 313,125          | -                | -                | 313,125        |
| Europe                                     | 291,049          | -                | -                | 291,049        |
| New Zealand                                | 359,583          | -                | 181,307          | 540,890        |
| North America                              | 1,247,836        | 846,658          | -                | 2,094,494      |
| Rest of the world                          | 10,701           | -                | -                | 10,701         |
| Investments in bonds                       |                  |                  |                  |                |
| Asia & Australia                           | 54,146           | -                | -                | 54,146         |
| Europe                                     | 168,538          | -                | -                | 168,538        |
| New Zealand                                | 8,301            | -                | -                | 8,301          |
| North America                              | 446,626          | -                | -                | 446,626        |
| Rest of the world                          | 22,124           | -                | -                | 22,124         |
| Investments in global private equity       |                  |                  |                  |                |
| North America                              | -                | -                | 856,534          | 856,534        |
|                                            | 2,958,791        | 1,079,501        | 1,141,867        | 5,180,159      |
| <b>Financial liabilities at fair value</b> |                  |                  |                  |                |
| Derivative financial liabilities           | -                | 26,938           | -                | 26,938         |
|                                            | -                | 26,938           | -                | 26,938         |



## 13. Financial Instruments (continued)

### 13.4 Fair Value Measurements Recognised in the Statement of Net Assets (continued)

#### 13.4.1 Movement of Assets

There were no transfers of assets between level 2 and level 3 during the 2024 and 2025 financial years. Transactions during the year, within level 3 investments are outlined in the table below.

| <b>2025 Level 3 Investments</b>         | <b>Insurance<br/>Linked<br/>\$000</b> | <b>Private<br/>Equity<br/>\$000</b> | <b>Total<br/>\$000</b> |
|-----------------------------------------|---------------------------------------|-------------------------------------|------------------------|
| <b>Opening balance Level 3</b>          | <b>104,026</b>                        | <b>1,037,841</b>                    | <b>1,141,867</b>       |
| Purchases during the year               | 140                                   | 142,492                             | 142,632                |
| Gains(losses) for the year <sup>1</sup> | 3,597                                 | (22,149)                            | (18,552)               |
| Less return of capital                  | (19,443)                              | (106,971)                           | (126,414)              |
| <b>Closing balance at 30 June 2025</b>  | <b>88,320</b>                         | <b>1,051,213</b>                    | <b>1,139,533</b>       |

| <b>2024 Level 3 Investments</b>         | <b>Insurance<br/>Linked<br/>\$000</b> | <b>Private<br/>Equity<br/>\$000</b> | <b>Total<br/>\$000</b> |
|-----------------------------------------|---------------------------------------|-------------------------------------|------------------------|
| <b>Opening balance Level 3</b>          | <b>180,535</b>                        | <b>968,560</b>                      | <b>1,149,095</b>       |
| Purchases during the year               | 5,850                                 | 139,715                             | 145,565                |
| Gains(losses) for the year <sup>1</sup> | 10,138                                | (10,708)                            | (570)                  |
| Less return of capital                  | (92,497)                              | (59,726)                            | (152,223)              |
| <b>Closing balance at 30 June 2024</b>  | <b>104,026</b>                        | <b>1,037,841</b>                    | <b>1,141,867</b>       |

- <sup>1</sup> Income and dividends for these investments are shown within the interest, dividends and other income category on the Statement of Changes in Net Assets. The changes in fair value are shown in the changes in fair value of investment assets through profit or loss in the Statement of Changes in Net Assets.



## 13. Financial Instruments (continued)

### 13.4 Fair Value Measurements Recognised in the Statement of Net Assets (continued)

#### 13.4.2 Valuation Techniques and Inputs

For fair value measurements categorised within Level 2 and 3 of the fair value hierarchy, an entity is required to disclose a description of the valuation technique and the inputs used in the fair value measurement. These are disclosed in the table on the next page.

| Financial Asset                                            | Fair Value as at 30 June 2025 |               | Fair Value as at 30 June 2024 |               | Valuation technique                                                                                                                                                                         | Significant unobservable input(s)                                                                                              | Relationship of unobservable inputs to Fair Value                                            |
|------------------------------------------------------------|-------------------------------|---------------|-------------------------------|---------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
|                                                            | Level 2 \$000                 | Level 3 \$000 | Level 2 \$000                 | Level 3 \$000 |                                                                                                                                                                                             |                                                                                                                                |                                                                                              |
| Derivative assets                                          | 88,636                        | -             | 67,845                        | -             | Valuation is derived using forward pricing and swap models using present value calculations                                                                                                 | Not applicable                                                                                                                 | Not applicable                                                                               |
| International equities                                     | 812,314                       | -             | 846,658                       | -             | Valuation is derived using comparable markets and advice from specialised advisers supported by discounted cash flows and net asset values                                                  | Investment Manager views regarding dividend payouts and macro-economic assumptions                                             | More favourable assumptions increase the Fair Value of the investment                        |
| Insurance-linked assets (Catastrophe)                      | 174,521                       | 4,976         | 164,998                       | 5,897         | Discounted cash flow techniques, option pricing models and comparable market valuations<br><br>Internal Valuation Committee pricing through the utilisation of Broker dealer pricing sheets | Not applicable<br><br>Seasonality curves, catastrophe modelling and statistical analysis provided by independent third parties | Not applicable<br><br>The higher the curve the greater the Fair Value (and greater the risk) |
| Insurance-linked assets - North America (Life Settlements) | -                             | 83,344        | -                             | 98,129        | Discounted cash flow techniques                                                                                                                                                             | Mortality multiples, market rates for life settlements practices and health circumstances                                      | The higher the mortality multiple the higher the Fair Value                                  |



### 13. Financial Instruments (continued)

#### 13.4 Fair Value Measurements Recognised in the Statement of Net Assets (continued)

##### 13.4.2 Valuation Techniques and Inputs (continued)

| Financial Asset       | Fair Value as at 30 June 2025 |               | Fair Value as at 30 June 2024 |               | Valuation technique                                   | Significant unobservable input(s)                                                                   | Relationship of unobservable inputs to Fair Value                                           |
|-----------------------|-------------------------------|---------------|-------------------------------|---------------|-------------------------------------------------------|-----------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|
|                       | Level 2 \$000                 | Level 3 \$000 | Level 2 \$000                 | Level 3 \$000 |                                                       |                                                                                                     |                                                                                             |
| Private equity        | -                             | 193,111       | -                             | 181,307       | Discounted cash flow and earnings multiple techniques | Revenue, earnings and associated valuation multiples, local market conditions and indicative quotes | The higher the latest sale returns and quotes of similar products the higher the Fair Value |
| Global private equity | -                             | 858,102       | -                             | 856,534       | Discounted cash flow and earnings multiple techniques | Revenue, earnings and associated valuation multiples, local market conditions and indicative quotes | The higher the latest sale returns and quotes of similar products the higher the Fair Value |
| Total                 | 1,075,471                     | 1,139,533     | 1,079,501                     | 1,141,867     |                                                       |                                                                                                     |                                                                                             |

#### 13.5 Financial Risk Management Objectives

The Fund is exposed to a variety of financial risks as a result of its activities. These risks include credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). The Fund's risk management and investment policies, approved by the Authority, seek to minimise the potential adverse effects of these risks on the Fund's financial performance.

These policies may include the use of certain financial derivative instruments to manage risk to within the approved limits.

The Authority outsources the investment management to specialist managers, who provide services to the Fund, co-ordinate access to domestic and international investment markets, and manage the financial risks relating to the operations of the Fund in accordance with investment mandates set and monitored by the Authority. The Fund invests 88% of the value of its investment assets (including cash) in a portfolio of equities and bond interest securities (2024: 86%).

Exposure to market risks is diversified by direct investment in private equity and insurance-linked assets. The Fund also invests in derivative instruments such as futures and options.

The use of financial derivatives is governed by the Authority's SIPSP, which provides written policies on the use of financial derivatives. These policies permit the use of derivatives to change the Fund's exposure to particular assets where the use is consistent with the Authority's SIPSP. Compliance with policies and exposure limits is reviewed by the Authority on a continuous basis.



## 13. Financial Instruments (continued)

### 13.6 Credit Risk

Credit risk (as defined in the SIPSP) is the risk of default by a counterparty to a particular transaction or an issuer of a security held in the portfolio. Credit ratings for the securities are monitored on a regular basis and credit rating ranges are agreed with all Investment Managers. The Authority measures credit risk on a fair value basis. Credit risk associated with receivables is considered minimal. The largest receivables balance is in relation to investments sold. It is the opinion of the Authority that the carrying amounts of the financial assets represent the maximum credit risk exposure at balance date.

The Fund considers that it has significant credit risk exposure where an investment exceeds 5% of its net assets. As at 30 June 2025 the Fund has one investment exceeding 5% of the net assets (2024: two). Processes are in place to monitor and manage these investments.

During the year the Fund continued securities lending as a means of earning additional income from its investments. As at 30 June 2025, the Fund had approximately \$360 million (2024: \$242 million) lent out to counterparties. These assets have remained in the name of the Fund and were lent out against specific collateral, including cash, provided by the borrower with loans collateralised to a minimum of 101% (2024: 101%) at the borrower level. The Fund has direct access to the collateral in the event of default.

### 13.7 Liquidity Risk

The Authority's approach to managing liquidity for the Fund is to ensure that it will always have sufficient liquidity to meet the Fund's liabilities (including its share of the benefit payments), as they fall due. The Fund's listed equities and bond securities are considered to be realisable over a reasonable period of time, although with a market risk.

The Fund's liquidity risk is managed in accordance with the Authority's investment strategy. The Authority manages liquidity risk by maintaining cash, cash equivalents and short-term investments, and through the continuous monitoring of forecast and actual cash flows. The Authority's overall strategy to manage liquidity risk remains unchanged from the previous year.

The following tables summarise the maturity profiles of the Fund's financial liabilities based on contractual maturities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities and based on the date on which the Fund can be required to pay. The tables include both interest and principal cash flows.

|                             | Less than<br>12 months<br>\$000 | 1-5 years<br>\$000 | 5+ years<br>\$000 | Total<br>\$000 |
|-----------------------------|---------------------------------|--------------------|-------------------|----------------|
| <b>2025</b>                 |                                 |                    |                   |                |
| Unsettled purchases         | 244,232                         | -                  | -                 | 244,232        |
| Derivative liabilities      | 25,487                          | 2,226              | 3,915             | 31,628         |
| Other financial liabilities | 12,632                          | -                  | -                 | 12,632         |
| <b>Total</b>                | <b>282,351</b>                  | <b>2,226</b>       | <b>3,915</b>      | <b>288,492</b> |
| <b>2024</b>                 |                                 |                    |                   |                |
| Unsettled purchases         | 294,569                         | -                  | -                 | 294,569        |
| Derivative liabilities      | 20,323                          | 2,121              | 4,494             | 26,938         |
| Other financial liabilities | 8,769                           | -                  | -                 | 8,769          |
| <b>Total</b>                | <b>323,661</b>                  | <b>2,121</b>       | <b>4,494</b>      | <b>330,276</b> |



## 13. Financial Instruments (continued)

### 13.8 Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: market interest rates (interest rate risk), foreign exchange (currency risk) and market prices (price risk). The Fund manages market risk by outsourcing its investment management; the investment managers manage the market risk in accordance with investment mandates.

#### 13.8.1 Interest Rate Risk Management

The Fund's activities expose it to the financial risk of changes in interest rates. Fixed interest instruments expose the Fund to fair value interest rate risk. The Authority monitors the Fund's exposure to interest rate risk.

The following tables detail the Fund's exposure to interest rate risk on financial assets, based on contractual maturities, at the financial statement date. Interest rate risk is managed by the investment managers.

#### 13.8.2 Financial Assets: Interest Rate Instruments

|                           | Weighted<br>average<br>interest rate<br>% | Less<br>than 12<br>months<br>\$000 | 1-5<br>years<br>\$000 | 5+<br>years<br>\$000 | Total<br>\$000   |
|---------------------------|-------------------------------------------|------------------------------------|-----------------------|----------------------|------------------|
| <b>2025</b>               |                                           |                                    |                       |                      |                  |
| Cash and cash equivalents | 1.26                                      | 330,164                            | -                     | -                    | 330,164          |
| Bond securities           | 4.33                                      | 13,352                             | 207,353               | 600,743              | 821,448          |
| <b>Total</b>              |                                           | <b>343,516</b>                     | <b>207,353</b>        | <b>600,743</b>       | <b>1,151,612</b> |
| <b>2024</b>               |                                           |                                    |                       |                      |                  |
| Cash and cash equivalents | 2.74                                      | 412,907                            | -                     | -                    | 412,907          |
| Bond securities           | 4.61                                      | 21,457                             | 155,022               | 523,256              | 699,735          |
| <b>Total</b>              |                                           | <b>434,364</b>                     | <b>155,022</b>        | <b>523,256</b>       | <b>1,112,642</b> |

#### 13.8.3 Interest Rate Sensitivity

A change to interest rates will have an effect on the value and income of many of the assets within the Fund. It is difficult to quantify the effect of a change in interest rates in many of the asset classes such as the equity portfolios. The assets directly affected by a change in interest rates are the global bond assets and insurance-linked assets.

The global bond portfolio has a benchmark duration of 6.4 years (2024: 6.6 years) and at the end of the year the portfolio was valued at \$821 million (2024: \$700 million). A 1% rise in interest rates would devalue the portfolio in the order of \$54 million (2024: \$46 million) (before tax) and conversely a 1% fall would increase the value by a similar amount.



## 13. Financial Instruments (continued)

### 13.8.3 Interest Rate Sensitivity (continued)

The Fund hedges the foreign currency risk of its foreign assets back to New Zealand dollar (NZD) and has a benchmark of having 20% of the Fund in foreign currency. The Fund uses 3 month forward contracts to hedge the foreign assets. These currency hedges are sensitive to the spread between 90 day interest rates in New Zealand and other foreign currencies. A 1% change in the spread will change the accrual of income in the order of \$41 million (2024: \$35 million) (before tax) over a year.

### 13.8.4 Foreign Currency Risk Management

Foreign currency risk is the risk that the market value of a financial instrument will fluctuate because of changes in exchange rates.

The Fund undertakes transactions and holds investment assets denominated in foreign currencies, hence it is exposed to the effects of exchange rate fluctuations. Foreign currency exposures are managed within approved policy limits and parameters set out in the SIPSP. The Fund enters into contracts designed to hedge some of its exposure to foreign currencies.

The Authority has a benchmark exposure to foreign currencies of 20% (2024: 20%) of the total Fund on a before tax basis. The Authority adjusts the Fund's foreign currency exposure in accordance with defined tilting rules that reflect the prevailing valuation of the NZD. The strategy is implemented by adjusting the hedge ratio on the international equities' portfolio.

| Asset Class                                                        | Before-tax Benchmark Hedge Ratio |
|--------------------------------------------------------------------|----------------------------------|
| Insurance-linked (including life settlements and catastrophe risk) | 100.0%                           |
| Global bonds                                                       | 100.0%                           |
| International equities                                             | 90.3%                            |
| Global private equity                                              | 0.0%                             |

The Fund's total exposure to foreign currencies at the reporting date (after hedging) before tax was \$1,559 million (2024: \$1,135 million). The Fund's foreign exchange exposure, before taking into account hedging was \$5,070 million (2024: \$4,669 million).

### 13.8.5 Foreign Currency Sensitivity

The Fund is mainly exposed to the United States dollar (USD), Hong Kong dollar, and the Euro (2024: USD, Hong Kong dollar and the Japanese Yen).

For international equities and all but one Insurance-linked assets the foreign currency exposure is hedged by a specialist manager back to the NZD within the limits approved by the Authority. The bond managers are responsible for managing the exposure to other currencies back to the NZD, within the terms of their individual investment mandates. The following table details the Fund's sensitivity to a 5 per cent decrease in the NZD on the unhedged exposure to foreign currencies.

|                    | Changes in NZD | Effect on surplus/(deficit) after-tax and before membership activities |               |
|--------------------|----------------|------------------------------------------------------------------------|---------------|
|                    |                | 2025<br>\$000                                                          | 2024<br>\$000 |
| Exchange rate risk | - 5%           | 56,111                                                                 | 40,875        |



## 13. Financial Instruments (continued)

### 13.8.5 Foreign Currency Sensitivity (continued)

When the NZD weakens against other currencies there is an increase in the surplus after tax (and before membership activities). For a strengthening of the NZD against other currencies there would be an equal and opposite impact on the surplus, and the amounts above would be negative.

There have been no changes in the methods and assumptions used to prepare the foreign currency sensitivity analysis from the prior year.

### 13.8.6 Market Price Risk

Market price risk is the risk that the total value of investments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment or its issuer, or to factors affecting all instruments traded in the market. The Fund has investments in equity instruments, bond instruments and derivative financial instruments, which expose it to price risk. The investment managers manage the other market risk in accordance with the Authority's SIPSP and their mandates.

As the Fund's financial instruments are carried at fair value, with changes in fair value recognised in the Statement of Changes in Net Assets, all changes in market conditions will directly affect investment income.

The following table illustrates the effect on the operating revenue and net assets from possible long term changes in market price risk on equities that the Fund was exposed to at reporting date:

|                     |      | Effect on surplus/(deficit) after-tax and before membership activities |         |
|---------------------|------|------------------------------------------------------------------------|---------|
|                     |      | 2025                                                                   | 2024    |
| Changes in variable |      | \$000                                                                  | \$000   |
| Market price risk   | + 5% | 157,872                                                                | 147,845 |

### 13.8.7 Operational and Strategic Risk

Operational risk is the potential for loss resulting from inadequate or failed procedures, people and systems, or from external events. Strategic risk is the potential for factors to impede the GSFA's ability to achieve its strategic objectives.

These risks are managed in accordance with the Authority's Risk Framework.

## 14. Related Parties

In terms of sections 81W (2), 88(2) and 95(1) of the GSF Act, the Minister of Finance pays into the Fund out of public money any deficiency in benefits payable to contributors and annuitants. During the year the Fund had business transactions with the Government, Crown Entities, and State-owned Enterprises, together with a number of other public sector entities.

The Authority manages the Fund's assets and administers the GSF Schemes. For the year ended 30 June 2025, the Fund transferred \$61,097,000 (2024: \$62,636,000) to the Authority for operating expenses, as detailed in the Statement of Changes in Net Assets. In turn, the Fund was reimbursed by the Government for 98% being \$59,875,000 (2024: 98% being \$61,383,000) and other employers for 2% being \$1,222,000 (2024: 2% being \$1,253,000). As at 30 June 2025 \$7,634,000 was payable by the Fund to the Authority for expenses incurred but not yet paid (2024: \$3,436,000).



## 15. Actual Versus Forecasts

The Fund recorded a profit (before expenses and membership activities) of \$735.246 million for the year ended 30 June 2025. This is against forecasted revenue of \$369.138 million. The surplus before tax and membership activities was \$674.149 million. This is against a forecasted surplus of \$326.659 million.

In setting the forecasts, we use long term return estimates. The Fund's primary exposure is to Global equities, and for the year ended 30 June 2025, the actual returns far exceeded our long-term estimates. Consequently, this has resulted in a higher change in the fair value of investments assets compared to that initially forecasted.

Membership activities resulted in a deficit of \$277.878 million against a forecast deficit of \$293.000 million. The forecast benefit payments are actuarially estimated and are dependent on factors such as inflation, early retirements, redundancies, unexpected salary changes, or transfers to other superannuation schemes.

The overall result of the Fund was an increase in net assets of \$335.169 million against a forecasted decrease of \$37.108 million.

## 16. Contingent Assets, Liabilities and Capital Commitments

As at 30 June 2025 capital commitments were in place for multiple investment managers. These are summarised as follows:

|                                                | 2025<br>\$000 | 2024<br>\$000 |
|------------------------------------------------|---------------|---------------|
| <b>Non-cancellable contractual commitments</b> |               |               |
| Less than one year                             | 264,778       | 273,871       |
| Between one and two years                      | 261,672       | 268,947       |
| Total non-cancellable contractual commitments  | 526,460       | 542,818       |

There are no contingent assets or liabilities (2024: Nil).

## 17. Subsequent Events

There have been no material events subsequent to balance date requiring amendments to these financial statements.

## 18. Summary of Material Accounting Policies

The following material policies have been applied in the preparation of the Financial Statements:

### 18.1 Reporting Entity and Statutory Base

The Financial Statements of the Government Superannuation Fund (the **Fund**) are prepared pursuant to section 93 of the Government Superannuation Fund Act 1956 (**GSF Act**) and incorporate the Judges and Solicitor-General Superannuation Account and the Parliamentary Superannuation Account.

The Fund was established by section 13 of the GSF Act. It consists of various defined benefit superannuation schemes (**GSF Schemes**), as prescribed in the GSF Act. Pursuant to section 19H of the GSF Act, the GSF Schemes are treated as being registered on the managed investment schemes register under the Financial Markets Conduct Act 2013.



## 18. Summary of Material Accounting Policies (continued)

### 18.1.1 Reporting Requirements

The Financial Statements have incorporated the requirements of NZ IAS 26: Accounting and Reporting by Retirement Benefit Plans, with the provisions of relevant legislative requirements. The Fund is a profit-oriented entity domiciled in New Zealand.

### 18.2 Statement of Compliance

These financial statements comply with the New Zealand Equivalents to IFRS (International Financial Reporting Standards) Accounting Standards ('NZ IFRS') and IFRS Accounting Standards ('IFRS') as issued by the International Accounting Standards Board, and other applicable financial reporting standards as appropriate for profit-oriented entities.

### 18.3 Critical Accounting Estimates and Judgements

The preparation of financial statements, in conformity with NZ IFRS, requires judgements, estimates and assumptions to be made that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

Judgement has been applied in the measurement of financial assets. This policy has a material impact on the amounts disclosed in the financial statements.

The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years, if the revisions affect both current and future years.

Further detail on the material assumptions or major sources of estimation uncertainty that have a material risk of causing material adjustments to the carrying amounts of assets are discussed in Note 13 (Financial Instruments). As with all investments their value is subject to variation due to market fluctuations.

Material judgement has been applied in the measurement of financial assets and by the Actuary in preparing the valuation reports. Further detail of the actuarial valuations is provided in Notes 11 and 12.

### 18.4 Measurement Base

The measurement base adopted is that of historical cost, except for investment assets, including derivatives, which are measured at fair value.

### 18.5 Presentation and Functional Currency

The Fund is located in New Zealand, and the performance of the Fund is measured and reported in NZD, rounded to thousands (\$000) except as indicated. These Financial Statements are presented in NZD as that is the currency of the primary economic environment in which the Fund operates. The Fund's presentational and functional currency is therefore NZD.



## 18. Summary of Material Accounting Policies (continued)

### 18.6 Investment Income

Interest income is recognised using the effective interest rate of the instrument. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, where appropriate, a shorter period.

Realised and unrealised gains or losses on financial instruments are recognised in the Statement of Changes in Net Assets. Interest income on assets, designated at fair value, is accrued at balance date. Dividend income is recognised in the Statement of Changes in Net Assets on the ex-dividend date.

### 18.7 Benefits

Benefits are recognised in the Statement of Changes in Net Assets when they become payable.

### 18.8 Foreign Currencies

Transactions in currencies, other than NZD, are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance date, assets and liabilities, denominated in foreign currencies, are retranslated at the rates prevailing on balance date. Gains and losses arising on translation are included in the Statement of Changes in Net Assets for the year.

### 18.9 Tax

For taxation purposes, the Fund is classified as a portfolio investment entity (**PIE**). The income tax expense represents the sum of the tax liability for the year and includes deferred tax (if any). The taxation currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax, as reported in the Statement of Changes in Net Assets, because it excludes items of income or expense that are never taxable or deductible, and it further excludes items that are taxable or deductible in other years.

Gains and losses on equities are non-taxable to the Fund. Taxable profit also requires that the Fair Dividend Rate (FDR) calculation method be applied to investments in overseas equities, which deems taxable income to arise regardless of the increase or decline in value of the investments. The Fund's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

### 18.10 Financial Instruments

Financial assets and financial liabilities are recognised in the Statement of Net Assets when the Fund becomes a party to the contractual provisions of the instruments. The Fund offsets financial assets and financial liabilities if the Fund has a legally enforceable right to set off the recognised amounts and interests and intends to settle on a net basis. The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled, or expires.



## 18. Summary of Material Accounting Policies (continued)

### 18.11 Investments

Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract, whose terms require delivery within the timeframe established by the applicable market and are initially measured at fair value. Investments are designated at fair value through profit or loss.

Fair values are determined by taking into account accrued interest on all applicable securities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial assets, designated at fair value, are measured at subsequent reporting dates at fair value, which is the exit price on the exchange on which the investment is quoted without any deduction for future selling costs. If a quoted market price is not available on a recognised stock exchange, the fair value of the instrument is estimated using accepted valuation techniques. Investments in units of pooled investment funds are valued at the closing price, or the value advised by the relevant investment manager.

Included within the financial statements there are \$1,114.161 million of investments which have been valued based on valuations dated prior to 30 June 2025 (predominantly 31 March 2025). These are private equity, life settlements and catastrophe risk investments. No adjustments have been made to allow for the valuation delays.

### 18.12 Government Superannuation Fund Business System

All directly attributable costs, (less a previous allowance for impairment), for the Government Superannuation Fund Business System (**Business System**) have been capitalised. The Business System went live in November 2016. Amortisation of the capital costs began at that time.

### 18.13 Securities Lending

Securities lending transactions are collateralised by securities or cash. The transfer of the securities to counterparties is only reflected in the Statement of Net Assets if the risks and rewards of ownership are also transferred. Collateral advanced by the borrower in the form of readily marketable securities (non-cash) is held in escrow by a third-party agent. Recourse of those securities is only available in the event of default by the borrower and, as such, the non-cash collateral is not recognised in the Statement of Net Assets. Collateral advanced by the borrower in the form of cash is recognised in the Statement of Net Assets as an asset, along with a corresponding liability to repay the cash collateral to the borrower, once the securities have been returned.

### 18.14 Impairment

Financial assets that are stated at amortised cost are reviewed at balance date to determine whether there is objective evidence of impairment. Expected credit losses are reviewed at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

The Business System, referred to in Note 8 to the financial statements, has been reviewed for impairment against NZ IAS 36: Impairment of Assets, and no allowance for impairment was made in the current year.



## 18. Summary of Material Accounting Policies (continued)

### 18.15 Trade and Other Receivables

Trade and other receivables are carried at amortised cost and may include sales of securities and investments that are unsettled at balance date and may also include dividends and interest. The Fund has adopted the simplified expected credit loss model for the current and prior year.

### 18.16 Trade and Other Payables

Trade and other payables are not interest-bearing and are carried at amortised cost. Any outstanding balances are recorded on trade date and settled according to their terms of trade. Purchases of securities and investments, that are unsettled at balance date, are included in payables.

### 18.17 Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments are contracts whose values are derived from changes in one or more underlying financial instruments or indices. The Fund's activities expose it primarily to the financial risks of changes in foreign currency rates and interest rates. The Fund may use foreign exchange forward contracts, index futures and interest rate swap contracts to manage these exposures.

Derivative instruments are initially recognised at fair value on the date on which a derivative contract is entered into. They are subsequently re-measured at each balance date using either quoted sales prices or appropriate valuation techniques. Any gains or losses are taken to the Statement of Changes in Net Assets in the period in which they occur. Transaction costs are expensed on initial recognition.

The use of financial derivatives is governed by a **SIPSP**, approved by the Board, which includes written policies on the use of financial derivatives. The Fund does not adopt hedge accounting.

### 18.18 Forecast Figures

The forecast figures are those presented in the Fund's 2024 Statement of Performance Expectations, being for the period 1 July 2024 to 30 June 2025. The forecast figures were prepared in accordance with the accounting policies adopted by the Fund for the preparation of the Financial Statements.

### 18.19 Standards Issued but Not Yet Effective

Certain new accounting standards and interpretations have been issued that are not mandatory for 30 June 2025 reporting periods and have not been adopted early by the Fund. None of these standards are likely to have a material impact on the Fund when they are adopted. All standards will be adopted in the period in which they become mandatory.

### 18.20 Consistency in Presentation

The same presentation and methods of computation have been followed in these financial statements as were applied in the preparation of the Fund's Financial Statements for the year ended 30 June 2024.

## 19 Changes in Accounting Policies and Disclosures

There have been no changes to accounting policies or disclosures during the year. New standards and interpretations that are mandatory for 30 June 2025 reporting periods have been adopted with no material impact on the financial statements.

# Independent Auditor's Report



## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF THE GOVERNMENT SUPERANNUATION FUND

The Auditor-General is the auditor of Government Superannuation Fund (the Fund). The Auditor-General has appointed me, Pam Thompson, using the staff and resources of Deloitte Limited, to carry out the audit of the annual financial statements of the Fund on his behalf.

The annual financial statements of the Fund comprise the statement of net assets as at 30 June 2025, the statement of changes in net assets, and statement of cash flows for the year ended on that date and the notes to the financial statements that include material accounting policy information and other explanatory information on pages 27 to 57.

#### Opinion

In our opinion:

- The annual financial statements of the Fund:
  - fairly present, in all material respects:
    - its net assets as at 30 June 2025; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to IFRS Accounting Standards ('NZ IFRS') and IFRS Accounting Standards ('IFRS').

Our audit was completed on 29 August 2025. This is the date at which our opinion is expressed.

#### Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards, and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Responsibilities of the auditor* section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements of the current period. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | How our audit addressed the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Valuation of promised retirement benefits and unfunded deficit (Note 12)</b></p> <p>In 1999, the Minister directed annual valuations to be carried out in accordance with Section 94 of the Government Superannuation Fund Act 1956.</p> <p>As disclosed in Note 12 of the financial statements, the Fund obtained an actuarial valuation as at 30 June 2025 which estimated the vested benefits at \$12,411 million and a vested benefits shortfall of \$6,571 million.</p> <p>As disclosed in the Statement of Changes of Net assets, the estimated gross liability for promised retirement benefits was \$12,328 million and the gross unfunded deficit at 30 June 2025 amounted to \$6,489 million.</p> <p>The actuarial valuation is inherently subjective and is affected by use of assumptions such as:</p> <ul style="list-style-type: none"> <li>the discount rate/rate of return on assets;</li> <li>the rates of salary growth; and</li> <li>the consumer price increase/pension increase.</li> </ul> <p>The return on assets remained unchanged when compared to the prior year at 5.50%. The salary growth assumption also remained unchanged at 2.50%. Pension increases were adjusted to reflect the current Consumer Price Index inflation, however, they remained unchanged in the long-term.</p> <p>As noted in Note 5.1 of the financial statements, there is no requirement on the Government to fully fund the Fund. Reliance is placed on the provisions in the Government Superannuation Fund Act 1956 for the Government to ensure that sufficient funds are available, or will be available, to pay benefits as they fall due.</p> | <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>Evaluating the Fund's controls over benefits and contributions;</li> <li>Testing the underlying data provided to the actuary and confirming that these agree to the underlying records;</li> <li>Evaluating the professional competence and objectivity and relevant experience of the Fund's actuary;</li> <li>Engaging our internal actuarial specialist to independently understand, challenge and evaluate:             <ul style="list-style-type: none"> <li>the work and findings of the Fund's actuary;</li> <li>the actuarial methods and assumptions employed, specifically the discount rate/rate of return on assets, rates of salary growth and the pension increase.</li> </ul> </li> <li>Evaluating the related disclosures about the Fund's unfunded liability, and the risks attached to them which is included in Note 12 to the Fund's financial statements; and</li> <li>Assessing the related disclosures covering the Fund's actuarial deficit and any plan by the Crown to fund benefit payments as they fall due.</li> </ul> <p>As a result of the above procedures, we are satisfied that the valuation, key assumptions applied and the disclosures included in Note 12 are reasonable.</p> |



We have included the valuation of the Fund's gross liability for promised retirement benefits that has resulted in the unfunded deficit as a key audit matter due to its significance to the financial statements and the subjectivity of the assumptions inherent in estimating the amount of promised retirement benefits.

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#### Valuation of level 3 investments

As disclosed in Note 13.4.2 of the financial statements, the Fund has investment assets measured at fair value on level 3 fair value measurement consisting of insurance-linked assets and private equities. These investment assets are managed by fund managers in accordance with the Fund's investment policies, standards and procedures.

At 30 June 2025, the fund reported level 3 investment assets of \$1,140 million.

Level 3 investment assets are those that are measured using valuation techniques (as detailed in Note 13.4.2) that include inputs that are derived from non-observable market data, which requires judgement.

Due to the judgements involved in valuing the level 3 investments, the valuation of these investments at 30 June 2025 has been identified as a key audit matter.

Our audit procedures included the following:

- Testing the design and implementation of internal controls in place over the valuation of investments, which includes:
  - the fund managers and the custodian's compliance statements to the Board; and
  - the review by management of the tolerance reconciliations provided by the custodian.
- Obtaining an understanding of the valuation techniques and inputs used by the respective fund managers to determine the fair value of the investments;
- Performing a trend analysis by fund manager to analyse the movement in price and unit holdings;
- Reconciling the level 3 investments to the latest valuation reports and performing procedures where these valuation reports predate year end (refer Note 18.11); including obtaining updated valuations from the fund managers. The reasonableness of any movements between the last valuation date and 30 June 2025 was assessed; and
- Assessing the reasonableness of the disclosures required for level 3 financial instruments in the financial statements.

As a result of the above procedures, we are satisfied that the valuation, key judgements applied and the disclosures included in Note 13.4.2 are reasonable.

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### **Responsibilities of the Board for the Fund's annual financial statements**

The Board is responsible on behalf of the Fund for preparing annual financial statements that fairly present the Fund's financial position, financial performance, and its cash flows, and that comply with generally accepted accounting practice in New Zealand.

The Board is responsible for such internal control as it determines is necessary to enable it to prepare annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the Board is responsible on behalf of the Fund for assessing the Fund's ability to continue as a going concern.

The Board's responsibilities arise from the Crown Entities Act 2004 and Government Superannuation Fund Act 1956.

### **Responsibilities of the auditor for the audit of the Fund's annual financial statements**

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of members, taken on the basis of the Fund's annual financial statements.

We did not evaluate the security and controls over the electronic publication of the Fund's annual financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the Fund's annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



From the matters communicated with the Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Our responsibilities arise from the Public Audit Act 2001.

#### **Other information**

The Board is responsible for the other information. The other information comprises all of the information included in the annual report, but does not include the Fund's annual financial statements and our auditor's report thereon.

Our opinion on the Fund's annual financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the Fund's annual financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the Fund's annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Independence**

We are independent of the Fund in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the Fund.

A handwritten signature in blue ink that reads "Pam Thompson".

Pam Thompson, Partner  
for Deloitte Limited  
On behalf of the Auditor-General  
Wellington, New Zealand



# Statement of Responsibility

The Financial Statements of the Authority, for the year ended 30 June 2025, have been prepared in accordance with section 154 of the Crown Entities Act.

The Board is responsible for the preparation of the Financial Statements and the Statement of Service Performance, and for the judgements made in them.

The Board confirms that internal control systems have been established and maintained during the period to provide reasonable assurances as to the integrity and reliability of the financial and non-financial reporting.

In our opinion, the Statement of Service Performance set out on pages 13-20 clearly reflects the objectives of the Authority. The attached Financial Statements for the financial year fairly present the financial position, as at 30 June 2025, and the operations and cash flows of the Authority for the year ended 30 June 2025.

A handwritten signature in black ink, appearing to read 'Anne Blackburn'.

**Anne Blackburn**

*Chair  
Government Superannuation  
Fund Authority Board*

A handwritten signature in black ink, appearing to read 'Michael Sang'.

**Michael Sang**

*Chair  
Audit & Risk Review Committee  
Government Superannuation Fund Authority  
Board*

29 August 2025



# Statement of Comprehensive Revenue and Expense

For the Year Ended 30 June 2025

|                                                  | Note | 2025<br>\$000<br>Actual | 2025<br>\$000<br>(unaudited)<br>Forecast | 2024<br>\$000<br>Actual |
|--------------------------------------------------|------|-------------------------|------------------------------------------|-------------------------|
| <b>Revenue</b>                                   |      |                         |                                          |                         |
| Interest received                                |      | 94                      | 60                                       | 84                      |
| Transfer from the Government Superannuation Fund | 1    | 61,097                  | 42,479                                   | 62,636                  |
| <b>Total revenue</b>                             |      | <b>61,191</b>           | <b>42,539</b>                            | <b>62,720</b>           |
| <b>Expenses</b>                                  |      |                         |                                          |                         |
| Investment management and custody                | 2    | 50,768                  | 31,791                                   | 52,177                  |
| Operating                                        | 3    | 4,446                   | 4,698                                    | 4,455                   |
| Schemes administration                           |      | 5,977                   | 6,050                                    | 6,088                   |
| <b>Total expenses</b>                            |      | <b>61,191</b>           | <b>42,539</b>                            | <b>62,720</b>           |
| Net profit for the year                          |      | -                       | -                                        | -                       |
| Other comprehensive income                       |      | -                       | -                                        | -                       |
| <b>Total comprehensive income for the year</b>   |      | <b>-</b>                | <b>-</b>                                 | <b>-</b>                |

This statement is to be read in conjunction with the Summary of Accounting Policies and the Notes to the Financial Statements.



# Statement of Financial Position

As at 30 June 2025

|                                  | Note | 2025<br>\$000<br>Actual | 2025<br>\$000<br>(unaudited)<br>Forecast | 2024<br>\$000<br>Actual |
|----------------------------------|------|-------------------------|------------------------------------------|-------------------------|
| <b>Equity</b>                    |      |                         |                                          |                         |
| General fund                     |      | -                       | -                                        | -                       |
| <b>Total equity</b>              |      | -                       | -                                        | -                       |
| Represented by:                  |      |                         |                                          |                         |
| <b>Current assets</b>            |      |                         |                                          |                         |
| Cash and cash equivalents        |      | 978                     | 350                                      | 838                     |
| Trade and other receivables      | 5    | 7,759                   | 3,500                                    | 3,570                   |
| <b>Total current assets</b>      |      | 8,737                   | 3,850                                    | 4,408                   |
| <b>Total assets</b>              |      | 8,737                   | 3,850                                    | 4,408                   |
| <b>Current liabilities</b>       |      |                         |                                          |                         |
| Trade and other payables         | 6    | 8,737                   | 3,850                                    | 4,408                   |
| <b>Total current liabilities</b> |      | 8,737                   | 3,850                                    | 4,408                   |
| <b>Net assets</b>                |      | -                       | -                                        | -                       |

The Financial Statements were approved by the Board on 29 August 2025.

**Anne Blackburn**

*Chair  
Government Superannuation  
Fund Authority Board*

**Michael Sang**

*Chair  
Audit & Risk Review Committee  
Government Superannuation Fund Authority  
Board*

29 August 2025



# Statement of Cash Flows

For the Year Ended 30 June 2025

|                                                              | Note | 2025<br>\$000<br>Actual | 2025<br>\$000<br>(unaudited)<br>Forecast | 2024<br>\$000<br>Actual |
|--------------------------------------------------------------|------|-------------------------|------------------------------------------|-------------------------|
| <b>Cash flows from operating activities<sup>1</sup></b>      |      |                         |                                          |                         |
| Cash was provided from:                                      |      |                         |                                          |                         |
| Government Superannuation Fund <sup>2</sup>                  | 1    | 8,000                   | 8,000                                    | 8,000                   |
| Interest                                                     |      | 94                      | 60                                       | 84                      |
|                                                              |      | 8,094                   | 8,060                                    | 8,084                   |
| Cash was disbursed to:                                       |      |                         |                                          |                         |
| Total expenses <sup>2</sup>                                  |      | (7,954)                 | (8,260)                                  | (7,958)                 |
| <b>Net cash flows from/(applied to) operating activities</b> |      | <b>140</b>              | <b>(200)</b>                             | <b>126</b>              |
| Net increase/(decrease) in cash held                         |      | 140                     | (200)                                    | 126                     |
| Opening cash and cash equivalents                            |      | 838                     | 550                                      | 712                     |
| <b>Closing cash and cash equivalents<sup>3</sup></b>         |      | <b>978</b>              | <b>350</b>                               | <b>838</b>              |

1 Operating activities include all receipts of revenues and interest income, and payments of expenses.

2 The Statement of Cash Flows has been completed on a basis that reflects the cash receipt/payments from the Authority bank account.

3 Cash and cash equivalents consist of a current account held with the Bank of New Zealand Limited, used in the day-to-day cash management of the activities of the Authority.

## Reconciliation of Net Operating Result to Net Cash Flows from Operating Activities

|                                                              | 2025<br>\$000<br>Actual | 2025<br>\$000<br>(unaudited)<br>Forecast | 2024<br>\$000<br>Actual |
|--------------------------------------------------------------|-------------------------|------------------------------------------|-------------------------|
| Net operating result                                         | -                       | -                                        | -                       |
| Movements in working capital items:                          |                         |                                          |                         |
| Trade and other receivables                                  | (4,189)                 | (500)                                    | (196)                   |
| Trade and other payables                                     | 4,329                   | 300                                      | 322                     |
| <b>Net cash flows from/(applied to) operating activities</b> | <b>140</b>              | <b>(200)</b>                             | <b>126</b>              |

This statement is to be read in conjunction with the Summary of Accounting Policies and the Notes to the Financial Statements.



# Statement of Changes in Equity

For the Year Ended 30 June 2025

|                                         | 2025<br>\$000<br><br>Actual | 2025<br>\$000<br>(unaudited)<br>Forecast | 2024<br>\$000<br><br>Actual |
|-----------------------------------------|-----------------------------|------------------------------------------|-----------------------------|
| Equity at beginning of the year         | -                           | -                                        | -                           |
| Total comprehensive income for the year | -                           | -                                        | -                           |
| <b>Equity at end of the year</b>        | -                           | -                                        | -                           |

This statement is to be read in conjunction with the Summary of Accounting Policies and the Notes to the Financial Statements.



# Notes to the Financial Statements

For the Year Ended 30 June 2025

## 1 Transfer from the Government Superannuation Fund

In terms of section 15E (1) of the GSF Act, the administrative expenses of the Authority, including investment management and custody expenses, are reimbursed by the Fund.

## 2 Investment Management and Custody Expenses

|                                                         | 2025<br>\$000 | 2024<br>\$000 |
|---------------------------------------------------------|---------------|---------------|
| Custody expenses                                        | 1,342         | 1,306         |
| Investment management expenses                          | 49,426        | 50,871        |
| <b>Total investment management and custody expenses</b> | <b>50,768</b> | <b>52,177</b> |

## 3 Operating Expenses

|                                          | 2025<br>\$000 | 2024<br>\$000 |
|------------------------------------------|---------------|---------------|
| Audit and review of financial statements | 331           | 316           |
| Board fees and expenses                  | 317           | 328           |
| Management fees – Annuitas               | 2,943         | 2,835         |
| Other expenses                           | 855           | 976           |
| <b>Total operating expenses</b>          | <b>4,446</b>  | <b>4,455</b>  |

## 4 Fees Paid to Auditor

|                                          | 2025<br>\$000 | 2024<br>\$000 |
|------------------------------------------|---------------|---------------|
| Audit and review of financial statements |               |               |
| Audit and review of financial statements | 331           | 316           |
| <b>Other services</b>                    |               |               |
| Other assurance services                 | -             | -             |
| <b>Total other services</b>              | <b>-</b>      | <b>-</b>      |
| <b>Total fees paid to auditor</b>        | <b>331</b>    | <b>316</b>    |



## 5 Trade and Other Receivables

|                                          | 2025<br>\$000 | 2024<br>\$000 |
|------------------------------------------|---------------|---------------|
| Annuitas Management Limited              | 62            | 75            |
| Government Superannuation Fund           | 7,634         | 3,436         |
| Other receivables and prepayments        | 63            | 59            |
| <b>Total trade and other receivables</b> | <b>7,759</b>  | <b>3,570</b>  |

## 6 Trade and Other Payables

|                                              | 2025<br>\$000 | 2024<br>\$000 |
|----------------------------------------------|---------------|---------------|
| Investment management and custody expenses   | 7,850         | 3,532         |
| Professional services and operating expenses | 874           | 816           |
| Other creditors                              | 13            | 60            |
| <b>Total trade and other payables</b>        | <b>8,737</b>  | <b>4,408</b>  |

## 7 Financial Instruments

### 7.1 Credit Risk

Credit risk is the risk that a third party will default on its obligation to the Authority, causing the Authority to incur a financial loss. Financial instruments, which potentially subject the Authority to credit risk, consist principally of cash, cash equivalents and receivables. The Authority has a minimal credit risk in its holdings of these. The Authority does not require any collateral or security to support financial instruments.

There is no significant concentration of credit risk other than amounts due from the Fund, which in turn is funded by the Government in terms of section 15E of the Act.

The maximum amount of credit risk for each class is the carrying amount in the Statement of Financial Position.

### 7.2 Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Transactions in overseas currencies are recorded in NZD at the rates of exchange prevailing on the date of payment. The total exposure to currency risk is minimal.

### 7.3 Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Authority has no significant interest rate risk.



## 7 Financial Instruments (continued)

### 7.4 Liquidity Risk

The Authority manages liquidity risk by maintaining cash and cash equivalents and through the continuous monitoring of forecast and actual cash flows. The Authority's overall approach to liquidity risk remains unchanged from the previous year.

All the Authority's financial liabilities are expected to be paid within the next 12 months.

### 7.5 Fair Values

The fair values of financial instruments are equivalent to the carrying amounts disclosed on the Statement of Financial Position.

## 8 Board Fees

Board members were paid the following fees during the year<sup>1</sup>:

|                                            | 2025<br>\$     | 2024<br>\$     |
|--------------------------------------------|----------------|----------------|
| Anne Blackburn, Chair                      | 67,600         | 67,600         |
| Murray Brown                               | 39,039         | 42,757         |
| Angela Foulkes                             | -              | 33,800         |
| Michael Sang                               | 37,180         | 37,180         |
| Hugh Stevens                               | 42,250         | 42,250         |
| Rebekah Swan, <i>appointed 1 July 2024</i> | 33,800         | -              |
| Sarah Vrede                                | 33,800         | 33,800         |
| <b>Total Board fees</b>                    | <b>253,669</b> | <b>257,387</b> |

<sup>1</sup> Board Members' fees are determined by the individual's position on the Board. They also differ because, if the member is GST registered they include GST.

The Authority also met Board members' direct travel and other related expenses. Travel and other expenses totalled \$22,052 in 2025 (2024: \$39,753). The Authority continued with directors and officers' insurance cover for Board members, and company reimbursement insurance in respect of any claims made by them, under indemnities provided by the Authority. The total cost of the insurance for the year was \$14,263 (2024: \$18,955).



## 9 Meeting Attendance

The following table shows the attendance of Board members at scheduled Board and Committee meetings (which they are part of), during the 2024/25 financial year.

| Board Member   | Board Meetings Attended | Audit & Risk Committee Meetings Attended | Investment Committee Meetings Attended |
|----------------|-------------------------|------------------------------------------|----------------------------------------|
| Anne Blackburn | 6/6                     | 3/4                                      | 4/4                                    |
| Murray Brown   | 6/6                     | N/A                                      | 4/4                                    |
| Michael Sang   | 5/6                     | 4/4                                      | N/A                                    |
| Hugh Stevens   | 6/6                     | N/A                                      | 4/4                                    |
| Rebekah Swan   | 6/6                     | N/A                                      | 4/4                                    |
| Sarah Vrede    | 6/6                     | 4/4                                      | N/A                                    |

## 10 Related Party Information

The Authority is an autonomous Crown entity.

The principal function of the Authority is to manage and administer the Government Superannuation Fund (GSF) and the associated GSF Schemes. For the year ended 30 June 2025, the Authority received \$61,097,000 (2024: \$62,636,000) for operating expenses as detailed in the Statement of Comprehensive Revenue and Expense. As at 30 June 2025, \$7,634,000 was due from the GSF for expenses incurred (2024: \$3,436,000).

The Authority also entered into various transactions with Government entities on an arm's length basis in the normal course of business. The Authority continued with the resource sharing agreement with the Guardians of the NZ Superannuation Fund to work jointly on Responsible Investment matters.

As at 30 June 2025 the Authority had appointed the Board Chair, Anne Blackburn, and the Deputy Chair, Hugh Stevens, as directors of Annuitas. The costs of running Annuitas are shared between the Authority and the National Provident Fund on an equitable basis, as agreed between the two parties.

The Authority paid fees for this service during the year amounting to \$2,943,000 (2024: \$2,835,000). The amount owed by Annuitas to the Authority at year end was \$62,000 (2024: \$75,000).

The Board, through Annuitas, monitors the performance of the external managers, appointed by the Authority to provide services to the Authority, and their adherence to the terms of their contracts, and co-ordinates actuarial, communications, legal and taxation services for the Authority.

There were no transactions between the Board members as individuals and the Authority, other than the payment of fees or expenses. There were no individual transactions with Annuitas staff other than for the reimbursement of expenses.



## 11 Actual Versus Forecast

Investment revenues are subject to the volatile nature of investment markets, this being the main reason for the variance between the forecast and actual changes in fair value of investment assets (within the Fund).

For the year ended 30 June 2025, the Transfers from the Fund were \$61.097 million compared to a forecast of \$42.479 million. The main reason for the higher than forecasted number is the higher performance fees earned by some Investment Managers this financial year. These fees are linked to the increase in Investment asset values in the Fund which, in the current year, increased significantly.

## 12 Contingent Assets and Liabilities

There are no contingent assets or liabilities at 30 June 2025 (2024: Nil).

## 13 Commitments

The Authority has commitments for the administration of the GSF Schemes, the provision of professional services, and for the provision of management services from Annuitas. These commitments are summarised as follows:

|                                                      | 2025<br>\$000 | 2024<br>\$000 |
|------------------------------------------------------|---------------|---------------|
| Non-cancellable contractual commitments              |               |               |
| Less than one year                                   | 5,323         | 5,437         |
| Between one and two years                            | 4,988         | 5,274         |
| Between two and five years                           | 5,831         | 8,040         |
| <b>Total non-cancellable contractual commitments</b> | <b>16,142</b> | <b>18,751</b> |

In terms of section 15E (1) of the GSF Act, the administrative expenses of the Authority are reimbursed by the Fund. The expenses referred to in the above table are therefore reimbursed by the Fund as they are incurred.

## 14 Subsequent Events

There have been no material events after balance date that require adjustments to, or disclosure in, the financial statements (2024: Nil).

## 15 Summary of Material Accounting Policies

The following material policies have been applied in the preparation of the Financial Statements:

### 15.1 Reporting Entity

The Government Superannuation Fund Authority (the **Authority**) was established in October 2001, as a Crown entity by section 15A of the Government Superannuation Act 1956 (**GSF Act**) (and subsequent amendments) and became an autonomous Crown entity under the Crown Entities Act 2004 in January 2005.

The Authority's primary function is to manage the Government Superannuation Fund (the **Fund**) and administer the GSF Schemes. The Authority does not operate to make a financial return and is domiciled in New Zealand.

The Authority has designated itself as a public benefit entity (**PBE**) for financial reporting purposes.

Separate Financial Statements have been prepared for the Fund in terms of section 93 of the GSF Act.



## 15 Summary of Material Accounting Policies (continued)

### 15.2 Basis of Preparation

The financial statements have been prepared on a going concern basis. All accounting policies have been applied consistently to all periods. As required, comparative disclosure notes are changed to reflect up to date assessments and consistency.

#### 15.2.1 Statement of Compliance

The financial statements of the Authority have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP). The financial statements have been prepared in accordance with Tier 1 Public Sector PBE accounting standards and comply with those standards.

#### 15.2.2 Presentation Currency and Rounding

The financial statements are presented in NZD and all values are rounded to the nearest thousand (\$000).

#### 15.2.3 Standards Issued but not Effective

Certain new accounting standards and interpretations have been issued that are not mandatory for 30 June 2025 reporting periods and have not been adopted early by the Authority. None of these standards are likely to have a material impact on the Authority when they are adopted. All standards will be adopted in the period in which they become mandatory.

### 15.3 Measurement Base

The measurement base adopted is that of historical cost.

### 15.4 Accounting Policies

The following particular accounting policies have been consistently applied in the preparation of the Financial Statements.

#### 15.4.1 Revenue

Revenue is recognised on an accrual basis. Interest income is accrued at balance date using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

#### 15.4.2 Foreign Currencies

Transactions in overseas currencies are recorded in NZD at the rates of exchange prevailing on the dates of the transactions with any currency gain or loss included in the Statement of Comprehensive Revenue and Expense.

#### 15.4.3 Tax

In terms of section CW 38(2) of the Income Tax Act 2007, the Authority is exempt from income tax.



## 15 Summary of Material Accounting Policies (continued)

### 15.4 Accounting Policies (continued)

#### 15.4.4 Financial Instruments

Financial instruments include both financial assets and financial liabilities. The Authority recognises a financial asset or a financial liability on the date the Authority becomes a party to the contractual provisions of the instrument. Financial assets, measured at amortised cost include bank term deposits (if applicable), receivables from related parties and other receivables. Financial liabilities, measured at amortised cost, include trade, and other payables.

#### 15.4.5 Derecognition

The Authority derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset and the transfer qualifies for derecognition. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

#### 15.4.6 Statement of Cash Flows

The Statement of Cash Flows has been prepared using the direct approach.

#### 15.4.7 Accounting for Joint Ventures

The Authority and the Board of Trustees of the National Provident Fund (**NPF**) have formed a joint venture company, Annuitas Management Limited (**Annuitas**). Each organisation has entered into a management services agreement with Annuitas. The Authority has a 50% ownership in Annuitas, but does not equity account for Annuitas as this is deemed to be immaterial. The authorised, issued and paid up capital of Annuitas is \$2.

### 15.5 Forecast Figures

The forecast figures are those approved by the Board at the beginning of the period and presented in the Authority's Statement of Performance Expectations for the year commencing 1 July 2024. The forecast figures were prepared in accordance with NZ GAAP and are consistent with the accounting policies adopted by the Board for the preparation of the Financial Statements.

### 15.6 Changes in Accounting Policies and Disclosures

There have been no material changes to accounting policies or disclosures during the year. New standards and interpretations that are mandatory for 30 June 2025 reporting periods have been adopted with no material impact on the financial statements.

# Independent Auditor's Report



## INDEPENDENT AUDITOR'S REPORT

### TO THE READERS OF GOVERNMENT SUPERANNUATION FUND AUTHORITY'S ANNUAL FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2025

The Auditor-General is the auditor of Government Superannuation Fund Authority (the Authority). The Auditor-General has appointed me, Pam Thompson, using the staff and resources of Deloitte Limited, to carry out, on his behalf, the audit of:

- the annual financial statements that comprise the statement of financial position as at 30 June 2025, the statement of comprehensive revenue and expense, statement of changes in equity, and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information on pages 61 to 70; and
- the statement of service performance for the year ended 30 June 2025 on pages 13 to 20.

#### Opinion

In our opinion:

- The annual financial statements of the Authority:
  - fairly present, in all material respects:
    - its financial position as at 30 June 2025; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.
- The statement of service performance fairly presents, in all material respects, the Authority's service performance for the year ended 30 June 2025. In particular, the statement of service performance:
  - provides an appropriate and meaningful basis to enable readers to assess the actual performance of the Authority for each class of reportable outputs; determined in accordance with generally accepted accounting practice in New Zealand; and
  - fairly presents, in all material respects, for each class of reportable outputs the actual performance of the Authority.

as compared with the forecast standards of performance, the expected revenues, and the proposed output expenses included in the Authority's statement of service performance expectations for the financial year; and
  - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 29 August 2025. This is the date at which our opinion is expressed.

#### Basis for our opinion



We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards, the International Standards on Auditing (New Zealand), and New Zealand Auditing Standard 1 (Revised): *The Audit of Service Performance Information* issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Responsibilities of the auditor* section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Key Audit Matters**

We have determined that there are no key audit matters to communicate in our report.

#### **Responsibilities of the Board for the annual financial statements and the statement of service performance**

The Board is responsible on behalf of the Authority for preparing:

- Annual financial statements that fairly present the Authority's financial position, financial performance, and its cash flows, and that comply with generally accepted accounting practice in New Zealand.
- A statement of service performance that:
  - provides an appropriate and meaningful basis to enable readers to assess the actual performance of the Authority for each class of reportable outputs; determined in accordance with generally accepted accounting practice in New Zealand;
  - fairly presents, for each class of reportable outputs, the actual performance of the Authority, as compared with the forecast standards of performance, the expected revenues, and the proposed output expenses included in the Authority's statement of service performance expectations for the financial year; and
  - complies with generally accepted accounting practice in New Zealand.

The Board responsible for such internal control as it is necessary to enable them to prepare annual financial statements, and a statement of service performance that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, and a statement of service performance, the Board is responsible on behalf of the Authority for assessing the Authority's ability to continue as a going concern.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Government Superannuation Fund Act 1956.

#### **Responsibilities of the auditor for the audit of the annual financial statements and the statement of service performance**



Our objectives are to obtain reasonable assurance about whether the annual financial statements, and the statement of service performance, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of the annual financial statements, and the statement of service performance.

For the budget information reported in the annual financial statements, and the statement of service performance, our procedures were limited to checking that the information agreed to the Authority's statement of service performance expectations.

We did not evaluate the security and controls over the electronic publication of the annual financial statements, and the statement of service performance.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the annual financial statements, and the statement of service performance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- We evaluate whether the statement of service performance:
  - provides an appropriate and meaningful basis to enable readers to assess the actual performance of the Authority. We make our evaluation by reference to generally accepted accounting practice in New Zealand; and
  - fairly presents the actual performance of the Authority for the financial year.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board.
- We evaluate the overall presentation, structure and content of the annual financial statements, and the statement of service performance, including the disclosures, and whether the annual financial statements, and the statement of service performance represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

#### **Other information**

The Board is responsible for the other information. The other information comprises all of the information included in the annual report, but does not include the annual financial statements, and the statement of service performance, and our auditor's report thereon.

Our opinion on the annual financial statements, and the statement of service performance does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the annual financial statements, and the statement of service performance, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the annual financial statements, and the statement of service performance or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Independence**

We are independent of the Authority in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests in, the Authority.

A handwritten signature in blue ink that reads "Pam Thompson".

Pam Thompson, Partner  
**For Deloitte Limited**  
**On behalf of the Auditor-General**  
Wellington, New Zealand



# Directory

As at 29 August 2025

## Government Superannuation Fund Authority Board

Anne Blackburn (Chair)  
 Murray Brown  
 Michael Sang  
 Hugh Stevens (Deputy Chair)  
 Rebekah Swan  
 Sarah Vrede

## Management

### Annuitas Management Limited

|              |                                 |
|--------------|---------------------------------|
| Tim Mitchell | Chief Executive                 |
| Fiona Morgan | Chief Financial Officer         |
| Tim Mitchell | Acting Chief Investment Officer |
| Hadyn Hunt   | Chief Risk Officer              |
| Ireen Muir   | General Manager, Schemes        |

## Executive Office

Level 12, The Todd Building  
 95 Customhouse Quay  
 P O Box 3390  
 Wellington 6140

## Schemes Administrator

Datacom Connect Limited

## Custodian

JP Morgan Chase Bank

## Tax Adviser

PricewaterhouseCoopers New Zealand

## Actuary

Louise Campbell, Towers Watson Australia Pty Ltd

## Auditor

Pam Thompson, Deloitte Limited (on behalf of the Auditor-General)

## Bankers

Bank of New Zealand Limited (*Authority*)  
 ANZ Bank New Zealand Limited (*Fund*)

## Legal Adviser

DLA Piper New Zealand



## Investment Managers

### Overlay Manager

State Street Investment Management, Australia, Limited

### Global Bonds

Brandywine Global Investment Management, LLC

Pacific Investment Management Company, LLC

PGIM, Inc.

### Insurance – Life Settlements

Apollo Global Management, LLC

### Insurance – Catastrophe

Elementum Advisors, LLC (appointed 23 June 2025)

Fermat Capital Management, LLC

Nephila Capital Limited

### Global Equities

Arrowstreet Capital, Limited Partnership

Hyperion Asset Management Limited

Lazard Asset Management, LLC

Pzena Investment Management, LLC

Qtron Investments LLC

Robeco Hong Kong Limited

T.Rowe Price Australia Limited

### Global Private Equity

Makena Capital Management (Cayman), LLC

StepStone Group, LP

### New Zealand Equities

Devon Funds Management

Harbour Asset Management Limited

### New Zealand Private Equity

Direct Capital Management Limited

HRL Morrison & Co Limited

Movac Growth Limited

Pencarrow Private Equity Management Limited

Pioneer Capital Management Limited

### Foreign Exchange Hedging

State Street Investment Management, Australia, Limited



# Statement of Investment Policies, Standards and Procedures

This document is titled Statement of Investment Policies, Standards and Procedures (SIPSP) and is dated 19 August 2025 and supersedes all previous versions. An electronic copy is available on our website – [www.gsfa.co.nz](http://www.gsfa.co.nz).

## **No liability**

While the Authority has made every effort to ensure the information provided in this document is accurate, neither the Authority nor its advisers will be liable whether in contract or in tort (including negligence), equity or any other cause of action to any person or persons who rely on the information without the prior agreement of the Authority.

## **Change without notice**

The Authority may change the information in this document at any time and without providing any notice to any party of any changes. The Authority maintains an electronic version control register to record and date all changes made.



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# 1 Introduction

## Description

The Government Superannuation Fund Authority (the **Authority**) was established in 2001 to manage and administer the assets of the Government Superannuation Fund (**GSF** or the **Fund**) and the Government Superannuation Fund Schemes (**GSF Schemes**) in accordance with the Government Superannuation Fund Act 1956 and subsequent amendments (the **GSF Act**).

The Authority is an autonomous Crown entity under the Crown Entities Act 2004 (**Crown Entities Act**).

## Structure

Section 15L of the GSF Act requires the Authority to establish investment policies, standards, and procedures (**SIPSP**) while Section 15M specifies what must be contained within any associated statements. This SIPSP addresses the requirements of section 15M and is structured as follows to reflect the approach employed to manage the Fund's investment programme.

| Section of this SIPSP            | Relevant clause(s) of Section 15M of the GSF Act                                                                             |
|----------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| Introduction                     |                                                                                                                              |
| Governance                       | (f) the fund management structure                                                                                            |
| Investment beliefs               |                                                                                                                              |
| Investment objective             | (e) balance between risk and return                                                                                          |
| Investment strategy              | (a) classes of investments and selection criteria                                                                            |
| Responsible investment           | (d) ethical investment<br>(i) retention, exercise or delegation of voting rights<br>(k) prohibited or restricted investments |
| Risk management                  | (g) use of futures, options and other derivatives<br>(h) management of various financial risks                               |
| Review and monitoring procedures | (b) performance benchmarks<br>(c) reporting investment performance<br>(j) valuation of investments not regularly traded      |
| Appendix                         | (k) investment constraints or limits                                                                                         |

## Purpose

This SIPSP records the arrangements set by the Authority's Board (the **Board**) for the governance and management of the investment assets held by the Fund, including fiduciary roles and responsibilities, the decision-making processes and the policies and procedures for management of Fund.



The Authority's investment responsibilities under the GSF Act are to:

- invest the Fund on a prudent, commercial basis, in a manner consistent with best practice portfolio management
- maximise returns without undue risk to the Fund as a whole
- avoid prejudice to New Zealand's reputation as a responsible member of the world community.

The Authority meets these responsibilities by developing and implementing:

- principles for best practice portfolio management
- an investment strategy centered on maximising return over the long term within a defined risk limit
- responsible investment policies to meet the requirement to avoid prejudice to New Zealand's reputation as a responsible member of the world community.



## 2 Governance

### Policies

#### Preamble

The Authority's powers and discretions are defined in the GSF Act. The Board is the governing body of the Authority and is responsible for all decisions relating to the Fund.

The Board has all the powers necessary for managing, directing and supervising the management of the business of the Authority and the Fund.

The Board's governance arrangements are designed to achieve best-practice portfolio management by establishing good decision-making processes, defining fiduciary roles and responsibilities, and providing effective policies and procedures for management of the Fund.

The Authority will maintain a Corporate Governance Statement, which establishes the Board's responsibilities, practices and structure in relation to the Authority's statutory obligations.

In satisfying its responsibilities, the Board may delegate decision making and implementation to third parties as it sees fit.

Management of all assets, except cash held for operational liquidity purposes, is to be outsourced to third party managers (investment managers).

Investment mandates with investment managers shall include guidelines setting out eligible investments, performance criteria, constraints and exposure limits, use of derivatives, responsible investment and stewardship expectations, and reporting requirements.

Investment managers require specific written authorisation from the Authority to invest outside of the prescribed permitted investments. The Board will consider such investments as they arise on application from the investment manager.

A custodian is to be appointed to separate investment decision making (undertaken by the investment managers) from the holding of assets and securities, transaction settlement, recording and reporting of investment activities (undertaken by the custodian).

All the assets of the Fund, apart from cash holdings required for operational liquidity purposes, collective investment vehicles, derivatives, and limited partnership holdings, are to be held in custody unless specifically authorised by the Board.

### Standards

Selection of the custodian and investment managers is specific to their particular role, but in general is to be contestable and conducted through a request for proposal / due diligence questionnaire and interview process unless specific circumstances warrant a different approach.

Investment managers are selected after having been subject to appropriate due diligence, which considers, among other criteria specific to the role:

- The personnel, skills and experience of the manager
- the background and general viability of the manager



- investment policy and process
- the costs that can be expected to be incurred
- the potential for cost savings and other efficiency gains
- the manager's control, compliance and risk management procedures.

This process ensures that the investment managers employed by the Fund have the requisite operational capabilities and are best placed to support the Fund in achieving its investment objectives.

## Procedures

### The Board

The Board meets its responsibilities under the GSF Act by developing and implementing principles for best-practice portfolio management which it interprets as:

- having a clear investment objective that reflects its statutory responsibilities and desired outcomes
- maintaining a sound investment strategy consistent with the investment objective and the Authority's investment beliefs
- having strong governance with clear assignment of responsibilities that promotes accountability, clear reporting and effective communication with the Fund's stakeholders
- ensuring cost-effective management of investments by engaging an external custodian of its assets and investment managers with the requisite skills and alignment of interests with the Authority and monitoring their performance closely
- sharing relevant knowledge and resources with other Crown financial institutions, peer funds and experts.

The Board has established an Investment Committee to review various investment matters delegated to it by the Board. The Investment Committee has written terms of reference and reviews its performance annually.

The Board appoints investment managers, custodians and external investment advisers and reviews their performance regularly.

Where an investment is to be held outside custody then the Board must be so advised at the time of approving the investment. A report summarising assets held outside custody is presented to the Board on request.

### Annuitas

The Authority and the Board of Trustees of the National Provident Fund have formed a joint venture company, Annuitas Management Limited (**Annuitas**), to provide management services to each organisation. The Management Services Agreement between the Authority and Annuitas delegates authority to Annuitas to enable it to carry out the day-to-day activities of the Authority and the Fund. This includes the management of functions contracted out to third parties for investment management, custody, scheme administration, legal, tax and advisory services.

Annuitas is responsible for:

- identifying, and recommending to the Board, investment strategies managers, advisors and the custodian for the Authority to meet its obligations and objectives under the GSF Act
- implementing policies and strategies approved by the Board and monitoring external managers, advisors and the custodian on behalf of the Board
- varying the Fund's asset allocation according to prescribed criteria and within prescribed limits pursuant to a dynamic asset allocation (**DAA**) programme



- reporting investment performance, and any other matters requested by the Board, at such frequencies as directed by the Board.
- managing cash required for operational liquidity purposes
- liaising regularly with the Treasury which acts on behalf of the Minister of Finance.

## Investment Managers

Each investment manager is contractually mandated to invest in a defined range of eligible investments and is subject to limits and constraints defined in the respective agreements with that manager.

Investment managers (where applicable) are delegated responsibility to exercise voting rights on behalf of the Authority, but the Authority retains the ultimate voting right. Investment managers voting record is monitored and is summarised on the Authority's website.

Where applicable, reports to the Authority from the investment managers include:

- details of securities held
- a review of the performance and an analysis of performance factors
- investment philosophy and strategy (if changed)
- compliance with the terms of the investment contract
- an annual external audit report.

Annuitas staff, on behalf of the Authority, meet with investment managers at least annually. Details of the current investment managers can be found on the website – [www.gsfa.govt.nz](http://www.gsfa.govt.nz).

## Custodian

The Fund's custodian is contractually required to provide the following services:

- safekeeping of assets
- trade processing and settlement
- monthly accounting and valuation reporting
- monthly investment performance measurement reporting and comparisons with benchmarks
- monthly compliance reporting
- corporate actions, income collection and withholding tax reclaims
- securities lending.

The custodian provides monthly reports of the Fund's investments as a whole, each asset class and each investment manager to enable monitoring and review of the Fund's and investment managers' performance. Those reports include:

- the cash position of each portfolio
- accounting matters including portfolio valuation
- reconciliation of portfolio values and cash flows with the investment managers
- investment performance measurement and comparisons with benchmarks
- tax reclaims
- reports of compliance with mandate-specific restrictions on separately managed portfolios.

## Investment Advisors

External investment advisors provide the Board and Annuitas with independent comment on key aspects of the Authority's investment programme. This includes qualitative and quantitative information related to strategy and investment managers.



## 3 Investment Beliefs

The Authority's investment beliefs provide a foundation for its investment strategy. They represent the Authority's views about the sources of investment return and risk and how these can be captured cost effectively, having regard to the Authority's unique circumstances:

- the nature of the GSF's pension obligations allows the Fund to take a long-term view for its investment strategy and tolerate short-term volatility in market prices and a degree of illiquidity
- to promote the Crown's interests, the Fund's investments focus on returns after foreign taxes but before NZ taxes
- implementation of the investment strategy is outsourced to investment managers.

The Authority determines investment strategy and selects and monitors the investment managers.

The Authority's investment beliefs are set out below.

### Core Beliefs

#### Risk

Higher returns usually require us to accept higher risk of loss and/or variability of returns.

#### Time Horizon

As a longer horizon investor, we believe we are better able to absorb the volatility associated with higher returns than short-term investors.

#### Diversification

We believe on average over time spreading investments among different sources of return improves the quality of our portfolio.

#### Asset Allocation

Our allocation to global equities is the largest determinant of the portfolio's risk and return.

#### Active Management

Selective active management can add value to the Fund.

#### Ethical/responsible investment

Environmental, social and governance (**ESG**) factors should be considered from both an investment and reputational perspective.

#### Climate-related risk

Climate change presents significant investment risks and opportunities. In addition, we have a responsibility to help limit global warming.

#### Oversight

We believe a good governance framework promotes improved investment outcomes for the Fund.

#### Implementation

We believe managing alignment of interests, fees and costs is a critical component of Fund outcomes.



## 4 Investment objective

### Policies

#### Preamble

The Authority is required to maximise the returns of the Fund without undue risk. It takes a long-term view when developing its investment strategy because the Fund is expected to pay entitlements for approximately 50 years.

It is increasingly common practice for funds to set objectives at least in part relative to a reference portfolio, which is a simple, low-cost, notional portfolio that would be expected to achieve the investment objective by investing only in major, liquid, public markets.

This helps define the strategy's risk and is used to assess the contribution to the Fund's performance of decisions by the Fund's investment managers.

The Authority will adopt an investment objective and strategy that involves taking additional investment risk to improve the Crown's position compared to investing solely in New Zealand Government Bonds.

The Authority will benchmark its investment strategy against the return on New Zealand Government Bonds and a Reference Portfolio (**Reference Portfolio**).

### Standards

The Authority interprets the Investment Objective as to maximise excess returns relative to New Zealand Government Bonds (before NZ tax) without undue risk of underperforming bonds, measured over rolling ten-year periods. The expected ten-year excess return depends partly on the risk taken by the Authority. It is estimated annually and published in the Authority's Statement of Performance Expectations. New Zealand Government Bond returns are benchmarked by the S&P NZX NZ Government Bond Total Return Index.

The Fund's Reference Portfolio reflects the Authority's risk appetite and creates a framework for accountability and performance measurement. It is designed to return more than New Zealand Government Bonds while meeting the Authority's risk appetite. The Board has adopted the Reference Portfolio set out in the Appendix Table 1.

### Procedures

While the Authority's focus is on long-term risks and returns, these are influenced to some degree by prevailing market conditions. Thus, the Authority estimates them regularly and documents them in the three-yearly Statement of Intent and the annual Statements of Performance Expectations.

The long-term expected excess return of the Reference Portfolio is published in the Authority's Statement of Intent and annual Statement of Performance Expectations and will vary over time.

In addition to estimating the risk of underperforming New Zealand Government Bonds over the next 10 years, the Authority uses a number of short-term and long-term risk metrics to gauge 'undue risk' and define its risk appetite. These include comparing the Fund and the Reference Portfolio using standard measures of fund volatility and value-at-risk, sensitivity to global equity market returns, expected returns under various macro-economic scenarios, and performance in periods of severe market stress, such as the worst historical rolling four quarters.

The Authority's risk appetite measures are set out in **Appendix Tables 2A and 2B**.



## 5 Investment strategy

### Policies

#### Preamble

The investment strategy adopted by the Authority establishes a Reference Portfolio, which is a default portfolio consistent with the risk limit, then aims to outperform the Reference Portfolio on a net-of-fees basis in three ways:

- taking exposure to sources of return not represented in the Reference Portfolio that are considered to offer systematic reward for bearing risk of loss. These alternative sources of return, which are referred to as “alternative risk premia” (or ‘beta’), include illiquidity, and insurance-linked risks
- capturing returns attributable to investment managers’ skill rather than systematic risk bearing (i.e. ‘alpha’)
- dynamically adjusting the Fund’s exposure to the asset classes to which it is exposed.

Strategies intended to help the Fund outperform its Reference Portfolio must be approved by the Board.

The Fund’s target allocation may be determined by Annuitas within limits approved by the Board. It is provided to the Board for noting. The current target allocation is set out in **Appendix Table 3** and rebalancing limits are set out in **Appendix Table 5**.

Dynamic Asset Allocation (**DAA**) decisions may be determined by Annuitas within limits approved by the Board. The limits that asset classes may be tilted away from their target allocation are shown in **Appendix Table 4**.

### Standards

The asset classes approved by the Authority for inclusion in the Fund are:

- equities, comprising equity securities and securities convertible into equities including partly paid ordinary and preference shares
- property, comprising land and premises built on land and holdings in entities that invest principally in land and premises
- fixed interest, comprising interest-bearing securities issued or guaranteed by sovereign governments and agencies and issued by non-sovereign issuers
- cash and short-term securities, comprising NZ and foreign currency cash and interest-bearing securities with less than one year to maturity
- commodities, comprising futures contracts traded on recognised public exchanges
- insurance-linked assets, comprising securities providing exposure to natural catastrophe risks and longevity (life settlement) risks; and
- forward foreign currency contracts for the purposes of offsetting foreign currency exposures arising from international assets to achieve the Fund’s strategic net exposure and as a value adding return source in the Authority’s DAA programme.

The Fund includes a strategic net foreign currency exposure in both its Reference and actual portfolios. The actual exposure may vary from the Reference Portfolio’s weighting by varying the extent to which it is offset (hedged) in accordance with the limits specified in **Appendix Tables 4-5**.



The Fund may invest in these asset classes through direct ownership of the assets, through collective investment vehicles (**CIVs**) that hold the assets (subject to section 15K of the GSF Act which prohibits the Fund having a controlling interest), through exchange traded funds or through derivative securities, such as futures, forward contracts, options and swaps. Asset classes or strategies that have not been approved by the Authority are not permitted to form part of the Fund's asset allocation.

## Procedures

The Authority manages the Fund to its target allocation that incorporates alternative risk premia and skill-based strategies and is expected to be more efficient than the Reference Portfolio (i.e. improve risk-adjusted returns after fees and foreign tax).

The selection of individual investments within the various asset classes is delegated by the Authority to investment managers selected for their expertise in particular investment disciplines. In general, investment managers invest the Fund in accordance with contractual mandates that specify authorised investments and risk limits. In some cases, the investment is via a CIV whose investment mandate is consistent with the Fund's investment strategy.

The Fund's investments are generally traded on recognised public exchanges but may be traded privately, subject to any limits approved by the Board.

The hedge ratio for international equities is varied to deliver the Fund's desired total foreign currency exposure, taking into account any currency hedging of other asset classes and any DAA tilts.

Implementation of significant asset allocation changes or the addition of new asset classes may include staged entry or exit to limit risk.

From time to time the Authority may move allocations in response to relative valuation signals to add returns. Such deviations are limited to ensure the investment objective of the Fund is not compromised.

DAA tilts are implemented by the physical movement of assets (selling the asset to be underweighted and buying the asset to be overweighted) or via derivatives where there is a well-developed market. Management of derivatives is undertaken through an overlay account managed by a third-party manager. In the case of currency tilts, forward currency contracts and basis swaps are used as for normal hedging. These decisions, and their investment performance impact, are reported to the Investment Committee and to subsequent Board meetings.



## 6 Responsible Investment

### Policies

#### Preamble

In addition to maximising return without undue risk, the Authority is required to avoid prejudice to New Zealand's reputation as a responsible member of the world community, follow best practice portfolio management and to have an ethical investment policy. These requirements are addressed by the Authority in terms of its Responsible Investment (RI) policies.

Our RI policies address activities that are illegal or contrary to international agreements to which NZ is a party. They extend beyond that to consider activities that are inconsistent with the Authority's ethical standards, notably severe environmental damage, bribery and corruption and human rights abuses.

We expect ESG factors that are financially material will be reflected in share prices because investors recognise them as indicators of risk or quality. Positive ratings on ESG factors are normally associated with better-run companies and higher company value. Anticipating changes in material ESG factors for specific companies is a potential source of additional return for active managers. ESG factors also present reputational risks for the Authority, which must be managed along with financial objectives.

Climate change is a specific example of an ESG factor with far more pervasive and global impact than other factors. Managing climate-related risks and opportunities is a major focus of the Authority.

The Authority is a signatory to the Principles for Responsible Investment and will give effect to its obligations as a signatory through integration of environmental, social and governance considerations in its investment strategy for the Fund.

On climate change, we expect our investment managers to have regard to both the immediate risks surrounding transition to a lower-carbon world, through changes in consumer preferences and government policies to limit emissions, and the longer-term risks of global warming.

Aside from the investment implications of climate change, the Authority has committed to the Crown Responsible Investment Framework (CRIF) as described in **Appendix Table 9**. Amongst other things, the CRIF requires that the Authority must set challenging minimum carbon reduction targets at interim periods to provide assurance that the Fund is on track to be carbon neutral by 2050. The Board has set its next interim targets as at 30 June 2030.

### Standards

The Authority's investment managers are charged with maximising investment returns relative to a representative market benchmark. We expect our active managers to integrate material ESG and climate-related factors in their investment decision-making. How that is done varies but should be consistent with the manager's investment style.

To enable a lower exposure to greenhouse gas emissions, the Authority can direct changes to some managers' investment mandates or benchmarks.



The Authority encourages active engagement with companies by its managers and prefers engagement with companies that breach its RI standards. But it will exclude companies where engagement is unlikely to be effective due to the context of the company's operations or a lack of responsiveness from the company to the issue.

The Authority's managers have responsibility for its proxy voting and all managers must exercise our voting rights.

In determining which companies to exclude, the Authority takes into account:

- New Zealand law
- international conventions to which New Zealand is a signatory
- significant policy positions of the New Zealand Government
- impact of exclusion on expected returns of the Fund
- actions of our peers
- severity of breach/action
- likelihood of success of alternative courses of action (such as engagement).

The Authority excludes investments in the government bonds of any nation state where New Zealand has imposed meaningful diplomatic, economic or military sanctions aimed at that government.

The Authority's carbon reduction targets are set out in **Appendix Table 6**.

## Procedures

The Authority monitors the ESG characteristics of the portfolio using manager-provided and third-party data. Except as set out below, we do not direct our managers on how to manage ESG factors.

The Authority collaborates with other investors to engage with companies that breach its standards, and we exclude them when engagement is unlikely to improve outcomes.

The Authority can instruct its investment managers to limit exposure to carbon-intensive investments to align with the New Zealand Government's policies to achieve net zero global emissions by 2050.

The Authority also considers investment in strategies specifically targeting solutions to climate risks, such as alternative technologies and carbon capture. We expect most of those solutions, however, to be developed by companies in our existing public and private equity universe.

In some cases, the Authority may direct investment managers with respect to certain investments where ESG considerations are sufficiently important to over-ride purely investment-driven factors. This may be on how to vote our shares or, more typically, to exclude the securities entirely.

Effective engagement with companies on ESG issues requires a substantial commitment of time and resources. Aside from relying on its investment managers, who typically represent a much larger investor clientele, the Authority has a collaborative agreement with the Guardians of New Zealand Superannuation Fund (**NZ Super**) and the Accident Compensation Corporation, which have similar RI obligations. All are signatories to the international Principles for Responsible Investment and committed to the Crown Responsible Investment Framework.

The collaborative agreement among CFIs encompasses policy development, identification and analysis of RI risks, co-ordination of engagement and exclusion activities, engagement of research providers, research sharing and communications. The parties to the agreement meet regularly to review current engagements and exclusions, high-risk securities, research and policy development.



With the assistance of NZ Super in some areas, the Authority implements its RI policies by:

- monitoring high-risk issues and securities
- monitoring portfolio investments against the RI policies
- monitoring investment managers' approaches to ESG and climate-related risks, and the Fund's exposures to greenhouse gas emissions
- analysing RI issues and appropriate responses
- communicating the Authority's policies and decisions to investment managers
- participating in collaborative engagements with other investors
- excluding securities that breach its standards and where the CFIs agree engagement is unlikely to lead to worthwhile change in the issuer's behaviour
- monitoring investment managers' voting records
- publishing its RI policies and exclusion decisions (individual company engagements may be confidential).

In applying the RI policies to a CIV, the Authority assesses value to the Fund of the CIV as a whole rather than each security it may hold. The Authority communicates its RI policies to managers of CIVs in which it invests and encourages them to consider whether its policies are appropriate for the CIV.

In addition to the application of its RI policies to the investments held in the Fund, the Authority:

- encourages the adoption of good corporate governance practices, including exercising voting entitlements consistent with maximising shareholder value and RI policies where possible
- encourages investment managers to consider its RI policies and to integrate ESG factors into their investment analysis and/or engage with corporate entities as part of their investment process
- works with similar investors to enhance the effectiveness of its RI policies, which may include supporting collaborative initiatives and engagements.

Annuitas provides regular RI updates to the Board. These include as required:

- excluded investments pursuant to the Authority's RI policies
- developing issues affecting particular investments or classes of investment
- engagements with companies pursuant to the Authority's RI policies
- matters considered by the CFIs pursuant to their formal collaborative agreement
- approach taken by investment managers on ESG and climate-related risks, the Fund's exposures to greenhouse gas emissions and the development of policies to manage these risks.

The Authority provides an annual update on how it meets its obligations under the CRIF to the Minister of Finance. It will then publish that update on its website.



## 7 Risk management

### Policies

#### Preamble

The GSF Act requires the Authority to have risk management policies for the management of various investment, operational and financial risks.

The Board's Audit and Risk Review Committee assists the Board in fulfilling its responsibilities with respect to internal controls, accounting policies, financial statements approval and risk management.

Risk management is further supported by the Corporate Governance Statement, Acceptable Conduct Policy, Expenditure Policy for Board members and Annuitas staff, Risk Policy, Procurement of Services Policy, defined roles and responsibilities, performance accountability processes and timely disclosure and communication.

The Fund's investment risk will be controlled by:

- specifying total Fund risk tolerances for under-performance measured against the New Zealand Government Bonds and the Reference Portfolio (active risk) over ten years
- monitoring those risks, including for intermediate periods, and reporting on them no less than quarterly; and
- specifying, monitoring and reporting no less than quarterly on:
  - » the Fund's total volatility, risk relative to global equities and the Reference Portfolio
  - » total and relative drawdown risk in stressed environments
  - » expected contribution of single strategies to the Fund's total risk and total active risk
  - » expected risk of single strategies and investment managers relative to benchmarks representative of the strategy or the investment manager's style.

The Authority will maintain constraints and limits in respect of each asset class or strategy to control risks.

Derivatives may be used for risk management, value adding investment strategies and transactional efficiency.

### Standards

A description of various investment, operational and financial risks is provided below.

#### ***a) Risk that the Fund's investment objectives will be compromised over time***

Asset allocations will drift over time as a result of differences in asset class returns and cashflows, while rebalancing asset allocations incurs transaction costs. Rebalancing involves making a trade-off between these factors. Rebalancing limits therefore define the extent to which the allocation to an asset class is permitted to deviate from the intended allocation (the target allocation plus any temporary changes reflecting DAA decisions) before rebalancing trades are required.

Rebalancing limits are set out in **Appendix Table 5** and are expressed as deviations around the intended allocation. Asset classes are to be rebalanced once the rebalancing limits are breached.



### **b) Market risk**

Market risk is the risk of adverse movements in investment markets (including asset prices, changes in the yield curve or other market-related variables) that affect the value or income of the portfolio. Market risk is outside the control of the Authority. The volatility of investment markets means that the return from the Fund is inherently uncertain. Actual returns from each asset class may vary significantly each year from the mean returns assumed in determining the investment strategy appropriate to the long term.

Major structural changes to investment markets and/or taxation environment are not within the control of the Authority. However, the Authority takes into account changes in these risks in its reviews of the portfolio, Reference Portfolio, DAA and asset class strategy.

The Fund's Reference Portfolio in **Appendix Table 3** reflects the Authority's appetite for market risk when read in conjunction with DAA limits in **Appendix Table 4** and rebalancing limits in **Appendix Table 5**.

### **c) Borrowing or leverage risk**

The Fund is not permitted to borrow money or charge any of the Fund's property, directly or through financial instruments, without the Minister of Finance's consent.

The Fund may own equity securities or invest in CIVs that borrow or grant charges on their own assets provided that owning these equity securities does not cause undue risk to the Fund as a whole, as expressed in the Investment Objective. Particular investments or strategies within CIVs may be leveraged or include leverage or be invested 'short' provided the overall risk of the CIV is acceptable. (Short positions arise when securities are sold while not yet owned, in anticipation of being bought after the price falls. Short positions may be created physically by borrowing the securities and selling them or through derivative contracts.)

Derivatives are authorised investments for the Authority. These are financial instruments whose value and characteristics are derived from underlying assets, indices or reference rates. They often contain embedded leveraged exposure to the underlying assets.

Derivatives cover a broad range of financial instruments and include futures contracts, forward currency contracts, swaps, forward interest rate contracts, options and credit default swaps.

Section 15C of the GSF Act requires the consent of the Minister of Finance to enter into derivative transactions. The Authority has sought and obtained the Minister's consent to use derivatives that create leverage, where the use of those is consistent with the Authority's SIPSP. The Authority has also obtained the Minister's consent to enter into temporary overdrafts with its banks.

### **d) Manager risk**

The Authority appoints investment managers to implement its investment strategy. Investment managers' returns may vary from expected levels.

### **e) Credit risk**

Credit (or counterparty risk) is the risk of default by a counterparty to a particular transaction or an issuer of a security held in the portfolio.



**f) Liquidity risk**

Liquidity risk is the risk that a security cannot be sold when required or that the price achieved is significantly less than the last quoted price without any fundamental change that justifies the lower price. The Fund invests mainly in securities traded in public markets. Investment in non-publicly traded assets is subject to the Fund's overall liquidity limits. At all times the Fund must be able to meet cash obligations for its share of member entitlements, tax and losses on derivative positions, notably currency hedging contracts. The liquidity test is described in **Appendix Table 5**.

**g) Operational risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. These risks are managed in accordance with the Authority's Risk Policy.

**h) Currency risk**

Currency risk is the risk that the foreign currency denominated assets will lose value due to the effect of an adverse exchange rate movement. Exposure to currency risk is determined at the total portfolio level and specified in the Reference Portfolio and the actual portfolio.

**Appendix Table 1** specifies the net foreign currency exposure in the Reference Portfolio for benchmarking purposes. **Appendix Table 3** specifies the Fund's target currency exposure while **Appendix Tables 4 and 5** specify the ranges bounding that exposure permitted for rebalancing and DAA.

**i) Derivative Risk**

The use of derivatives by the Fund will be consistent with the following:

- derivatives may be entered into by the Authority or its investment managers on behalf of the Fund. Where investment managers or custodians use derivatives, their use must be specified in each investment management agreement or be consistent with the terms governing the CIVs
- where the Authority is a counterparty to a derivative, the terms and conditions of the derivative must be specified in appropriate industry standard documentation.

The use of derivatives is permitted only where:

- it results in market exposures appropriate to the Fund as a whole
- the instruments are traded on recognised exchanges or issued by a counterparty over-the-counter
- the resulting counterparty exposures are adequately controlled and meet the Fund's general requirements in terms of credit rating and contractual arrangements
- the Fund can meet any liquidity requirements arising from their use
- derivative positions held directly by the Fund are collateralised. In general, this means the Fund must hold sufficient cash or securities corresponding to the derivatives at current and prospective market prices to ensure the Fund remains within permitted risk limits at all times
- derivatives relating to foreign exchange may be used for the purposes of managing and hedging currency exposures held within the Fund and for the purposes of purchasing or selling foreign currencies required for the settlement of foreign exchange transactions
- the net exposure to foreign currencies (after taking into account hedging positions) in the relevant portfolios is to be in accordance with the Authority's hedging policy for the asset class. If required, appropriate parameters for hedging using proxy currency will be established with the currency managers as well as appropriate operational ranges.

The effective exposures to underlying securities or assets arising from any derivatives are to be taken into account for the purposes of determining compliance with the prescribed exposure limits of portfolios.



## Procedures

The Board has approved the following constraints and limits in order to manage investment, operational and financial risks.

### *a) Risk that Fund's investment objectives will be compromised is managed by:*

- seeking professional advice on the investment strategy, the Reference Portfolio and the target allocation
- rebalancing monthly to ensure the Fund remains aligned with the target allocation taking into account known cash flows for the following month. The rebalancing limits are set as a trade-off between the costs of being exactly at the target allocation against the risk that variations in exposures will compromise the Fund's investment objectives. Rebalancing takes into account investments that are relatively illiquid, such as equity interests in CIVs that are not traded and have contractual restrictions on redemptions; and
- asset classes or components of asset classes that are not able to be readily traded are not subject to formal rebalancing limits but are monitored to ensure their exposure does not become excessive relative to their target exposure.

The rebalancing ranges around the target allocations are shown in **Appendix Table 5**.

### *b) Market risk is managed by:*

- specifying the total risk of the Fund and its various major exposures consistent with the Investment Objective and best-practice assumptions in relation to exposure risks and correlations among them
- diversifying the asset classes in which the Fund invests by adopting the Reference Portfolio and target allocation described in **Appendix Tables 1 and 3** and a range of investment management techniques for the Fund
- requiring investment managers to manage their portfolios within the market exposure limits for each asset class held as defined in the agreements with each manager; and
- setting limits, constraints and guidelines to which investment managers are required contractually to manage their portfolios.

### *c) Leverage risk is managed by:*

- ensuring that the risk arising from leverage embedded in any equities, shares of a CIV, or derivative positions is managed in accordance with the governing investment management agreement or the terms and conditions of the CIV, and within the risk tolerance of the Fund as a whole
- requiring any derivative transactions held directly by the Fund to be adequately collateralised with cash or corresponding securities, valued at current market prices
- entering into commercial arrangements for any charges against the Fund in accordance with industry best practice, such as the use of agreed counterparty settlement limits and temporary overdrafts for forward currency contracts, swaps and other contracts for difference
- requiring settlement of amounts outstanding from any derivative transactions due to short-term price fluctuations that exceed levels agreed in advance with counterparties
- the Authority satisfying itself that investment managers (including managers of CIVs) have adequate policies and procedures relating to leverage and derivative counterparties and monitoring adherence to their policies
- using appropriate industry standard documentation.

### *d) Investment manager risk is managed by:*

- robust selection process for investment managers
- diversification among investment managers



- setting mandates for active investment managers that prescribe acceptable risk limits
- regular assessment and review of investment managers' performance against the agreed benchmark
- putting in place investment management agreements or other satisfactory contractual terms that separate Fund assets from investment managers and protect against investment managers' errors, omissions and wrongful actions.

***e) Credit risk is managed by requiring that investment managers of the Fund's credit investments:***

- maintain the credit quality of their portfolios within agreed contractual guidelines
- limit exposure to individual issuers to prescribed limits
- maintain policies and procedures relating to derivative counterparty selection and management and appropriate industry standard documentation; and
- control counterparty risk by daily collateralisation of open derivative positions or credit quality limits in investment management agreements.

***f) Securities lending risk is managed by collateralisation and an indemnity from the custodian.***

***g) Liquidity risk is controlled by implementing the Fund's target allocation and rebalancing procedures. In addition, liquidity risk is managed by:***

- monitoring the Fund's liquidity quarterly against prescribed levels approved by the Board (**Appendix Table 5**)
- requiring investment managers to invest only in securities listed on recognised exchanges, except as specifically authorised by the Board
- limiting investment in securities that are not traded on recognised markets as authorised by the Board (Appendix Table 5 footnote)
- requiring investment managers, within the terms of their individual investment management agreements, to hold diversified portfolios
- limiting the credit rating of the fixed interest and cash investments to levels as detailed in the investment management agreements with each investment manager
- presenting to the Board the projections of the Fund's liquidity, cash flows and illiquid investment obligations whenever an illiquid investment is considered
- including future cash flows of the Fund in any consideration of additional illiquid asset investments.

***h) Operational risk is managed by:***

- engaging an independent custodian to record transactions, report on performance and monitor compliance of investment managers with mandates
- having a specific mandate for each investment manager based on best-practice portfolio management, except for investments in CIVs
- separating functions between investment management and custody and specifying limits to the authority delegated to Annuitas for DAA decisions
- ensuring Annuitas has sufficient resources to conduct the oversight function as part of its overall responsibilities
- requiring Fund transactions to be authorised by at least two persons
- requiring investment managers and the custodian to:
  - » provide the Authority with assurances against operational risk events
  - » have in place insurance arrangements to cover claims in those events
  - » have in place and regularly confirm the existence and efficiency of internal policies and controls to address those risks
  - » provide compliance reporting; and
  - » reconcile the Fund's recorded positions regularly.



***i) Currency risk is managed by:***

- fully hedging currency exposure on all asset classes except global equities and adjusting the hedge ratio on global public equities (not private equities) to achieve the desired total portfolio currency exposure
- engaging currency managers to manage the various hedging programmes
- specifying the bounds within which investment managers may take on currency exposures relative to their benchmarks
- specifying the instruments that investment managers may use and the minimum credit worthiness of the counterparties in the investment management agreement with each investment manager.

***j) Derivatives risk is managed as follows:***

- all investment managers using derivatives are required to provide the Authority with a copy of their policies relating to derivative securities trading and counterparty risk and to manage their derivative exposures in accordance with those policies. The Authority recognises that, where it invests in CIVs offered by investment managers, those vehicles may be investing in derivatives and takes that into account in determining the appropriate level of investment for the Fund
- the risk of derivatives is measured by their effective exposure to underlying assets as well as on a standalone basis. The value of derivatives is measured according to generally accepted industry best practice. Where a manager uses over-the counter derivatives, the Authority may, if it is satisfied with the manager's derivatives pricing policies and practices, accept the manager pricing those derivatives
- over-the-counter foreign exchange hedging derivative contracts may be entered into only with counterparties that have credit ratings approved by the Board and measured by a recognised rating agency for counterparty risk and domiciled in New Zealand, or in countries with which New Zealand has a double tax treaty
- the currency exposure associated with international investing is managed using forward foreign exchange contracts or basis swaps relating to the currencies in which the securities that comprise the portfolio are denominated, or their close proxies
- the investment management agreements for those investment managers actively using forward foreign exchange contracts include limits for the maximum exposure per counterparty. For other types of derivatives there are dollar limits for the maximum exposure before collateral is required
- derivative policies and practices, including foreign exchange hedging, are in accordance with the investment manager's derivatives policies, set out in their offer documents, or as otherwise specified in an investment management agreement. Investment managers are required to maintain policies and procedures relating to derivative counterparty selection and management accordingly and use appropriate industry standard documentation.



## 8 Review and monitoring procedures

### Performance monitoring

#### Policies

The Authority will maintain a reporting framework that enables the Board to analyse and monitor the performance of the Fund, asset classes and investment managers against relevant objectives and benchmarks.

A schedule of key reporting items and their frequency will be maintained in **Appendix Table 8**.

#### Standards

The primary benchmark for the Fund, as described in section 4, is the return on New Zealand Government Bonds (before NZ tax) benchmarked by the S&P NZX NZ Government Bond Total Return Index.

In addition to estimating the risk of underperforming New Zealand Government Bonds over the next 10 years, the Authority uses a number of short-term and long-term risk metrics to gauge 'undue risk'. These include comparing the Fund and the Reference Portfolio using standard measures of fund volatility and value-at-risk, sensitivity to global equity market returns, expected returns under various macro-economic scenarios, and performance in periods of severe market stress, such as the worst historical rolling four quarters.

Monitoring of the Fund's performance in relation to this benchmark is to take place no less than quarterly. Fund performance calculations are undertaken by the Custodian, independent from Annuitas and the Fund's investment managers.

An associated benchmark for the Fund is the Reference Portfolio as adopted by the Board and described in section 4. The benchmark return for the Reference Portfolio is the weighted average return on the benchmarks of its constituent parts (**Appendix Table 1**).

The Reference Portfolio is designed to return more than New Zealand Government Bonds while meeting the Fund's risk limits. The Fund's performance is therefore measured against the Reference Portfolio over 10-year periods, although monitored on a more-frequent basis. Performance is to be evaluated on a net-of-fees basis.

The relevant benchmarks for the purposes of assessing asset class or strategy performance are set out in **Appendix Table 7**. The measurement period for assessing relative performance is generally three to five years, although they are to be monitored no less than quarterly.

#### Procedures

Recognising that investment returns may not meet expectations from year to year, investment performance is assessed by comparing:

- the Fund's pre-tax, post-fee returns with New Zealand Government Bonds and the Reference Portfolio
- the pre-New Zealand tax, post-fee returns of individual asset classes or strategies with their respective benchmarks
- the pre-New Zealand tax, post-fee returns of investment managers with the benchmarks relevant to their respective mandates, plus any excess return target expected for active investment managers (reflecting the active risk taken by the investment manager).

Performance is considered over three and five years and longer periods where applicable. Investment managers are also compared to peer managers in the same asset class or strategy.



The Board reports the Fund's investment performance annually on the Authority's website – [www.gsfa.govt.nz](http://www.gsfa.govt.nz) – and in the Fund's Annual Report, which is tabled in the House of Representatives. A forecast for investment performance is published each year in the Authority's Statement of Performance Expectations.

For reference, the Treasury also reports to the Minister of Finance quarterly, following consultation with the Authority, on the Fund's investment performance and significant operational issues.

## Review procedures

### Policies

All aspects of the Fund's investment programme are to be reviewed regularly in line with the schedule approved by the Board.

### Standards

Reviews of the investment programme are undertaken by Annuitas with the review provided to the Board for its consideration. The external investment advisor will provide the Board with its view of Annuitas' review as requested.

### Procedures

The frequency for reviewing the key investment policies, strategies, and third-party providers to the Fund is as follows:

- the SIPSP is reviewed and approved at least annually by the Board. Only the Board can approve material changes to it. A version control document is maintained
- the Authority's investment beliefs are reviewed at least every three years
- the Reference Portfolio is reviewed by Annuitas and approved by the Board at least every three years taking into account the investment environment in which the Authority operates. The trade-off between risk and return is reviewed based on analysis of the prospective risk and return characteristics of each asset class in which the Fund might invest and their combinations
- the target allocation is reviewed by Annuitas and noted by the Board at least every 18 months.
- the expected excess return of the Reference Portfolio above the S&P/NZX NZ Government Bond Total Return Index over rolling 10-year periods is reviewed annually
- investment managers are reviewed annually against the criteria established for investment managers in section 6 to determine their ongoing suitability for their role.

## Valuation of unlisted securities

### Policies

The method of, and basis for, valuation of unlisted securities, being those that are not regularly traded on a public exchange, are to be independently verified in line with generally accepted industry standards.

### Standards

For unlisted securities, where quoted market prices are not available, fair value is to be determined on the basis of independent valuation or by the application of generally accepted industry standards and subject to independent verification. Investments in CIVs are to be subject to external valuation processes and valued according to generally accepted industry standards.

In the case of over-the-counter derivatives, the mark-to-market method for determining the value is to be independently verified.



## Procedures

Where investments are not traded on recognised exchanges, but can be independently priced, the custodian determines fair valuation on these investments through an objective or independent process, where possible, at least annually.

In cases where an independent valuation by the custodian is unable to be obtained, or where it can be obtained but at a cost determined by the Authority to be unreasonable, the Authority relies on the valuation provided by the investment manager using generally accepted industry standards that has either:

- been undertaken by a reputable, suitably qualified professional valuer who is independent of the investment manager; or
- been determined by reference to observable market variables obtained from sources independent of the investment manager.

Investments in collective investment vehicles, where underlying assets are not publicly traded, are subject to the Board being satisfied there are adequate and timely independent valuations and audit procedures to validate underlying valuations.

The Authority may seek independent advice from a suitably qualified, professional valuer to verify or confirm the reasonableness of any valuation provided by an investment manager. Where a valuation discrepancy arises between an investment manager and the custodian, the Authority generally accepts the custodian's valuation.



# Appendix

**Table 1: Reference Portfolio and benchmarks**

| Asset Class                            | Weight as at 19 Aug 2025 (%) | Benchmark                                                                 |
|----------------------------------------|------------------------------|---------------------------------------------------------------------------|
| International equities                 | 50                           | MSCI All Country World Low Carbon Target Index <sup>2</sup> hedged to NZD |
|                                        | 20                           | MSCI All Country World Low Carbon Target Index in NZD                     |
| NZ equities                            | 10                           | S&P/NZX50 Gross including imputation credits                              |
| Fixed interest                         | 20                           | Bloomberg Barclays Global Aggregate hedged to NZD                         |
| <b>Total assets</b>                    | <b>100</b>                   |                                                                           |
| Foreign currency exposure <sup>1</sup> | 20                           | MSCI All Country World Low Carbon Target Index Unhedged Minus Hedged      |

1 Ownership of predominantly international asset classes exposes the Fund to exchange rate risk, i.e. the risk of loss in value when the New Zealand dollar (NZD) appreciates. This risk can be offset to the desired extent with currency hedging contracts. The Fund's strategic net foreign currency exposure is expressed in the Reference Portfolio above.

2 To measure the effects of its decarbonisation commitments relative to a standard market index, the Board will continue to monitor and report on the performance relative to the MSCI All Country World Index.

**Table 2A: Fund Level Investment Risk Appetite**

| Fund Level Metric                    | Expected Risk / Limit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Measurement                                                                                                                                                                            | Reporting                        | Approved  |
|--------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|-----------|
| Fund Total Drawdown Risk             | The worst-case drawdown is expected to be no greater than 30% over rolling four quarters.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Current Reference and Target Portfolio drawdown under historical stressed market environments.<br><br>Reference and Actual Portfolio historical return over most recent four quarters. | Board QIR & Treasury Risk Report | 4-Sept-24 |
| Fund Risk versus NZ Government Bonds | The ex-ante risk that the Fund underperforms NZ Government Bonds over 10 years cannot be higher than the ex-ante risk that the Reference Portfolio underperforms over the same period.<br><br>The Board monitors the probability of Fund and Reference Portfolio returns using two measures:<br><br>1. the expected chance of underperforming over 10 years. As at the date of this SIPSP, the Authority estimates this chance as 33%<br><br>2. the 5th percentile cumulative underperformance over 10 years. As at the date of this SIPSP, the Authority estimates this chance as 44% |                                                                                                                                                                                        | Board QIR & Treasury Risk Report | 13-May-25 |

**Table 2A: Fund Level Investment Risk Appetite (Continued)**

| <b>Fund Level Metric</b>                           | <b>Expected Risk / Limit</b>                                                                                                                                                                                                                                      | <b>Measurement</b>                                                                                                                                                                                                                                                                                                                                                                                                                          | <b>Reporting</b>                 | <b>Approved</b> |
|----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|-----------------|
| Fund Risk versus NZ Government Bonds               | The Board notes that both these probabilities are not stable through time as they are affected by changes in NZ Government Bond rates and other capital markets assumptions that are used in projecting risk and return for the Reference Portfolio and the Fund. |                                                                                                                                                                                                                                                                                                                                                                                                                                             | Board QIR & Treasury Risk Report | 13-May-25       |
| Fund Active Risk (risk versus Reference Portfolio) | <p>A 3% pa limit on ex ante (forward looking estimates) of active risk.</p> <p>Active risk in excess of 6% pa ex post requires Annuitas Response.</p>                                                                                                             | <p>Forward looking standard deviation of the expected excess returns of the Target Portfolio versus the Reference Portfolio (ex-ante active risk).</p> <p>Standard deviation of historical returns of Actual Portfolio versus the Reference Portfolio over 5 years (ex-post active risk).</p> <p>Realised (ex-post) active risk will on occasion exceed 3%. The 6% (ex-post) limit effectively captures a 2 standard deviation outcome.</p> | Board QIR & Treasury Risk Report | 3-Nov-21        |

**Table 2B: Strategy Level Investment Risk Appetite**

| Strategy Level       | Expected Risk / Concentration limit                                                                                               | Measurement                                                                                                                                                                                                                                                                                        | Reporting                         | Approved  |
|----------------------|-----------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------|
| DAA Total Risk       | It is expected DAA incremental total risk to be zero on average over the medium term but not more than 2.3% at any point in time. | Forward looking standard deviation of DAA plus Reference Portfolio returns minus the standard deviation of Reference Portfolio returns.<br><br>Standard deviation of historical DAA plus Reference Portfolio returns minus the standard deviation of the Reference Portfolio returns over 5 years. | QIR and Strategic Tilting Minutes | 5-Aug-20  |
| DAA Active Risk      | It is expected DAA active risk will be 1% on average over the medium term and not more than 2.7% at any point in time.            | Forward looking standard deviation of expected DAA returns.<br><br>Standard deviation of historical DAA returns over 5 years.                                                                                                                                                                      | QIR and Strategic Tilting Minutes | 5-Aug-20  |
| Total Private Equity | 30% concentration limit of private equity to total equity.                                                                        | Total (domestic and global) invested private equities to not exceed 30% of total (domestic and global) invested private and public market equities.                                                                                                                                                | Annual Reviews and QIR            | 31-Jul-19 |

**Table 3: Target Allocation as at 19 August 2025**

| Asset class                        | Weight (%) |
|------------------------------------|------------|
| <b>Growth assets</b>               |            |
| Global listed equities             | 55.0       |
| Global private equity <sup>1</sup> | 15.0       |
| NZ equities                        | 7.0        |
| NZ private equity <sup>1</sup>     | 3.0        |
| <b>Defensive assets</b>            |            |
| Global Fixed interest              | 10.5       |
| NZ fixed interest <sup>2</sup>     | 5.0        |
| Catastrophe risks                  | 3.0        |
| Life Settlement risks              | 1.5        |
| <b>Total Assets</b>                | <b>100</b> |
| Foreign currency exposure          | 20         |

1 Total invested private equities (domestic and global) not to exceed 30% of total equities (domestic and global, private and public.

2 The Board approved addition of NZ fixed interest (to be funded from Global fixed interest) at its 17 February 2025 meeting. The Authority expects that this target position will be implemented early in the 2025/26 financial year.

**Table 4: DAA limits**

| Asset class                                                       | Limit versus Target Allocation (%) <sup>1</sup> |
|-------------------------------------------------------------------|-------------------------------------------------|
| Cash vs equities vs fixed interest                                | +/-10                                           |
| Developed market equities vs emerging market equities             | +/-5                                            |
| US equities vs non-US equities                                    | +/-5                                            |
| NZ equities vs international equities                             | +/-2                                            |
| Developed market fixed interest vs emerging market fixed interest | +/-5                                            |
| Foreign currency exposure                                         | +/-15                                           |
| Major foreign currencies vs NZD <sup>2</sup>                      | +/-10                                           |
| High yield credit vs governments vs investment grade credit       | +/-5                                            |
| Commodities and/or property                                       | +/-5                                            |

1 Although the ranges have been expressed as symmetric, short exposures are not permitted.

2 Major currencies include USD, EUR, GBP, JPY, CHF, AUD.

**Table 5: Rebalancing limits**

| Asset class                                 | Rebalancing limits (± %) |
|---------------------------------------------|--------------------------|
| Combined Global public and private equities | 5                        |
| Combined NZ public and private equities     | 2                        |
| Combined Global and NZ Fixed interest       | 4                        |
| Catastrophe risks                           | 2                        |
| Life settlements                            | 2                        |
| Foreign currency exposure                   | 5                        |

**Liquidity Test:**

- Assumes 30% declines in equities and the NZD.
- Assesses whether the Fund still holds sufficient liquidity following any significant valuation declines in assets to cover currency hedging losses, fund one year of PE calls (based on the average calls over the preceding 5 years) and a \$40M payment to Datacom to cover net cashflows to members.
- Checks whether rebalancing is required for liquid assets following withdrawals.

**Table 6: 2030 carbon reduction targets**

| Asset class                        | Measure                                    | Target reduction | Minimum reduction |
|------------------------------------|--------------------------------------------|------------------|-------------------|
| Listed equities                    | Carbon footprint relative to 2019 baseline | 65%              | 60%               |
| Credit component of fixed interest |                                            |                  |                   |

**Table 7: Benchmarks**

| Asset class                        | Benchmark Index                                                                |
|------------------------------------|--------------------------------------------------------------------------------|
| <b>Growth assets</b>               |                                                                                |
| Global listed equities             | MSCI All Country World Low Carbon Target Index                                 |
| Global private equity <sup>1</sup> | MSCI All Country World Low Carbon Target Index                                 |
| NZ equities                        | S&P/NZX50 Gross Index including imputation credits                             |
| NZ private equity <sup>1</sup>     | S&P/NZX50 Gross Index including imputation credits                             |
| <b>Defensive assets</b>            |                                                                                |
| Global Fixed interest              | Bloomberg Barclays Global Aggregate Index hedged to NZD                        |
| NZ Fixed Interest                  | Bloomberg NZBond Govt 0+Yr Index                                               |
| Catastrophe risks                  | Swiss Reinsurance Catastrophe Bond Total Return Index                          |
| Life settlements risk              | Bloomberg Barclays Global Aggregate Index                                      |
| Dynamic asset allocation           | No benchmark. We measure DAA profit or loss expressed as a % of the total fund |
| Foreign currency exposure          | MSCI All Country World Low Carbon Target Index unhedged minus hedged.          |

<sup>1</sup> Private equity is benchmarked against the public market equivalent plus an expected risk premium of 3% pa.

**Table 8: Reporting Schedule**

| <b>Strategic Issues</b>                                           |           |
|-------------------------------------------------------------------|-----------|
| Investment Objective                                              | 3-yearly  |
| Reference Portfolio – Risk profile                                | 3-yearly  |
| Investment Model                                                  | 3-yearly  |
| Investment Beliefs                                                | 3-yearly  |
| Target Portfolio Total Risk Review                                | Yearly    |
| Investment Committee Terms of Reference review                    | 3-Yearly  |
| Statement of Intent/Statement of Performance Expectations         | Yearly    |
| Investment Consultant                                             | 5-yearly  |
| Statement of Investment Policies, Standards and Procedures Review | Yearly    |
| Climate Related Disclosures                                       | Yearly    |
| Custodian Review                                                  | 5-yearly  |
| Dynamic Asset Allocation Review                                   | 3-yearly  |
| <b>Operational Reviews</b>                                        |           |
| Quarterly Investment Report, including responsible investment     | Quarterly |
| Global Public Equities                                            | Yearly    |
| NZ Public Equities                                                | Yearly    |
| Global Fixed Interest                                             | Yearly    |
| Currency Management                                               | 3-Yearly  |
| Global Private Equities                                           | Yearly    |
| NZ Private Equities                                               | Yearly    |
| Life Settlement                                                   | Yearly    |
| Catastrophe Risk                                                  | Yearly    |
| Benchmarks for returns, risks and costs                           | Yearly    |
| Investment Committee Self Review                                  | Yearly    |
| Securities Lending                                                | 3-yearly  |
| Class Actions                                                     | 3-yearly  |
| Liquidity Policy                                                  | 3-yearly  |
| Compliance with SIPSP                                             | Yearly    |
| Actuarial projections of Fund size and cashflow                   | Yearly    |
| Rebalancing Policy                                                | 3-yearly  |



## Table 9: Crown Responsible Investment Framework

The Crown Responsible Investment Framework is specified in an Enduring Letter of Expectations from the Ministers of Finance and ACC. This is the primary framework under which our Responsible Investment activities are captured. The framework states:

### Measure

1. Carbon footprint metrics for your investment portfolios should be reported transparently on a consistent basis, enabling public scrutiny over progress towards carbon neutral portfolios by 2050. In the case of fossil fuel reserve owners, you should also account for emissions from the end-use of their products.
2. Reporting should align with the Taskforce for Climate-related Financial Disclosure recommendations, until the External Reporting Board's (XRB) climate related disclosure framework has been issued, at which point it should apply, and should continue to evolve in line with global best practice standards.<sup>1</sup>
3. You should strive for consistency of measurement standards across the Crown Financial Institutions so that relative performance on carbon emissions reduction can easily be interpreted.

### Reduce

1. Crown Financial Institution investment portfolios must be carbon neutral by 2050.
2. You should set challenging minimum carbon reduction targets at interim periods to provide assurance that investment portfolios are on track to be carbon neutral by 2050. In the case of fossil fuel reserve owners, reduction targets should also address emissions from the end-use of their products.
3. Interim targets should be aligned with global best practice standards to maintain a 1.5-degree global warming outcome.
4. Your first interim target should be for 2025 and should be refreshed prior to the start of that year for 2030. This process is to be repeated every five years thereafter.
5. Where investment strategies allow, you should take a leadership position ahead of minimum reduction expectations to demonstrate how return on investments can be achieved through low carbon strategies.

### Influence

1. You should utilise your long-term risk and return strategies to actively identify positive investments that generate additionality to the transition to a low carbon economy; and
2. Recognising that success in reducing carbon exposure for investment portfolios relies on investee companies to transition to low carbon solutions, you should utilise your position as significant investors to engage with New Zealand and global companies on developing transition strategies.

The Enduring Letter also includes expectations to:

- Be influential in the domestic market for how businesses and investors can drive the transition to a low carbon economy.
- Actively seek all opportunities to drive the climate transition, from education to active engagement to investment into climate solutions where there is consistency with your investment strategy.

<sup>1</sup> The Minister of Finance agreed that the Authority need not meet this expectation. Instead, the Authority now reports annually to the Minister on progress against the CRIF.



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