



Annual Report to 30 June 2024

Prepared For

Te Tumu Whakarae mō Te Kawa Mataaho

Public Service Commissioner

INTRODUCTION

This Annual Report to Te Tumu Whakarae mō Te Kawa Mataaho Public Service Commissioner in relation to the State Sector Retirement Savings Scheme (the SSRSS) has been prepared in respect of the year ended 30 June 2024.

The Annual Report has arisen from the requirement within the Terms of Reference of the Advisory Board for the SSRSS, which states:

“At the end of each financial year the Advisory Board will prepare an Annual Report for the Commissioner on the overall performance of the SSRSS, including the providers and investment funds, and the emerging issues and challenges.”

ADVISORY BOARD

The Advisory Board (the Board) was established by the former State Services Commissioner to advise and assist with the ongoing management and development of the SSRSS. The Board adds value for SSRSS members by providing advice, information and guidance from individuals with a range of experiences and backgrounds. Board members are unpaid and any costs of supporting the Board such as Investment Advice and Secretariat services are met by the Public Service Commission – no Board costs are passed on to members.

A schedule of the Board members is contained in the Directory at the end of this report.

During the year the Board met in accordance with the revised Terms of Reference¹. The meeting following the year-end was attended by each of the providers, to enable the Board to directly question the providers about any relevant matters of concern.

OPERATION OF THE SSRSS

The SSRSS has two service providers, Smartshares Limited (Smartshares) and AMP Services (NZ) Ltd (AMP). Smartshares was appointed in February 2022 as manager of the ASB Superannuation Master Trust, which was renamed the SuperLife Superannuation Master Trust on 16 August 2023.

Each provider is party to a Specification Agreement (the Agreement) that sets out its role in providing a savings vehicle for employees who have chosen the provider as their investment manager. The Agreements detail the processes associated with all member activities as well as the provider reporting obligations to the Board.

SSRSS membership numbers decreased from 23,262 to 22,205 during the year (a reduction of 4.5 percent). The SSRSS is a closed scheme, and the expectation is for membership to

¹ The Terms of Reference were revised in 2023.

decrease each year. The total decrease was 1,057 members. The most common reasons for exits were again Retirement (587) and Resignation for those over age 50 (279).

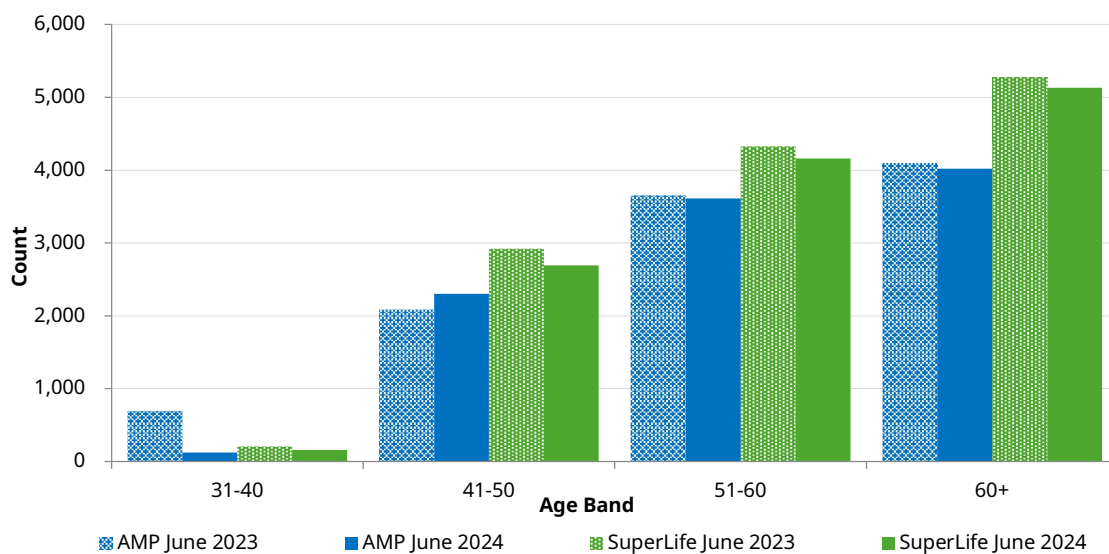
The total value of members' balances increased over the year. The total funds under management in the SSRSS was \$2,174 million at 30 June 2024, compared to \$2,032 million at 30 June 2023. The main reason for the increase of \$141.4 million in the year was strong investment returns. Total contribution amounts averaged \$21.4 million per quarter over the year. This is an increase from the previous year where total contribution amounts averaged \$20.9 million per quarter. The average total benefit payments in each quarter over the year was \$40.5 million, compared to \$32.8 million per quarter over the previous year.

MEMBERSHIP

A summary of the movements in membership of the SSRSS for the year to 30 June 2024 is given in the following table. The SSRSS is a closed scheme so, as expected, membership numbers decreased during the year. Exits were split between both service providers as shown below.

Summary of Membership	AMP	SuperLife	Total
Members as at 1 July 2023	10,533	12,729	23,262
Withdrawals during the year	(472)	(585)	(1,057)
Members as at 30 June 2024	10,061	12,144	22,205

The following chart shows the breakdown of members by age bracket. As at 30 June 2024, 76 percent of SSRSS members are aged over 50, and so are eligible to withdraw their money if they leave the State Sector. As at 30 June 2024 41 percent of members are aged over 60. It is reasonable to expect that the number of withdrawals will continue to rise over the following years.



ASSETS UNDER MANAGEMENT

The total funds under management in the SSRSS was \$2,174 million at 30 June 2024. This is a 7 percent increase compared to the previous year to June 2023. Much of this can be attributed to strong investment returns during the year. At the overall SSRSS level, activities in the last year are summarised in the following table.

	AMP \$m	SuperLife \$m	Total \$m
Fund at 1 July 2023	856.8	1,175.6	2,032.2
Contributions	39.8	46.0	85.9
Withdrawals	-58.2	-103.7	-161.9
Investment Returns	90.4	138.1	228.6
Other adjustments (inc. fees and tax)	-8.3	-2.9	-11.2
Fund at 30 June 2024	920.5	1,253.1	2,173.6

Investment returns for the year to June 2024 were \$83 million more than in the previous year. Member and employer contributions increased by \$2 million over the year. Total withdrawals were \$30.5 million more than the previous year.

INVESTMENT MARKETS

Over the year to 30 June 2024 global share markets surged with the MSCI World index² returning over 20 percent in New Zealand (NZ) dollar terms. Tech stocks' share prices rose because of the expected Artificial Intelligence boom. Technology stocks in the United States (US) were up 30 percent over the year, four times higher than the rest of the US share market as measured by the S&P500 index³. Domestically our share market underperformed the rest of the world ending the year down 0.8 percent.

Bonds saw more modest gains over the 12 months to June 2024 with domestic bonds outperforming global bonds (hedged into NZ dollars). The NZ dollar appreciated strongly against the Yen over the year (up 10.7 percent) but depreciated against the US dollar and Australian dollar. Overall, foreign currency movements detracted around 1 percent from unhedged global equity returns.

The Reserve Bank of NZ held the Official Cash Rate (OCR) at 5.5 percent over the year in an effort to cool inflation that has continued to fall, ending at 3.3 percent for the 12 months to 30 June 2024.

The Year Ahead

In recent months, tech stock prices have seen a shakeup due to weakening market confidence resulting in stock value increases beginning to slow and even drop for the 'Magnificent Seven' tech companies. The focus has shifted to how spending on AI infrastructure and the development of AI models will translate into profitable products and services going forward. This has resulted in the US equity market rotating out of large cap

² A share market index tracking around 1,400 companies listed on the stock exchanges of 23 developed countries.

³ A stock market index tracking 500 of the largest companies listed on the stock exchanges in the United States.

tech stocks into a far broader range of companies, a trend that is likely to continue in the year ahead.

The Reserve Bank of NZ made its first OCR cut on 14 August 2024, bringing the OCR to 5.25 percent. This is in line with global trends as central banks around the world have begun to hold or cut interest rates. The outlook in New Zealand is for further rate cuts over the next 12 months, and inflation to fall in line with the targeted 1-3 percent resulting in lower interest rates and an easing of the cost-of-living pressures.

INVESTMENT PERFORMANCE

The after fees but before tax investment returns achieved by the providers for the year to 30 June 2024 for each fund offered under the SSRSS are shown in the following tables.

Provider	Fund Name	Investment return in year to 30 June 2024
		Percent
Conservative and Moderate funds		
AMP	Conservative Fund (Lifesteps)	7.5
AMP	Moderate Fund (Lifesteps)	8.4
AMP	Moderate Balanced Fund (Lifesteps)	9.8
AMP	ANZ Conservative Fund	5.4
AMP	SuperLife Moderate Fund	8.3
AMP	Milford Conservative Fund	6.9
AMP	Conservative Fund No. 2	7.2
AMP	Declared Rate Fund	5.3
SuperLife	Moderate	8.8
Balanced Funds		
AMP	Balanced Fund (Lifesteps)	11.2
AMP	SuperLife Balanced Fund	10.8
AMP	Mercer Balanced	8.6
AMP	Milford Balanced Fund	8.5
AMP	Balanced Fund No. 4	10.6
SuperLife	Balanced	11.2
Growth Funds		
AMP	Growth Fund (Lifesteps)	13.0
AMP	Aggressive Fund (Lifesteps)	13.7
AMP	ANZ Growth Fund	7.3
AMP	ANZ Balanced Growth Fund	6.8
AMP	SuperLife Growth Fund	12.3
AMP	Milford Active Growth Fund	11.2
AMP	Milford Aggressive Fund	14.8
AMP	Growth Fund No. 2	11.3
SuperLife	Growth	12.7
Single Sector Funds		
AMP	Cash Fund	5.6
AMP	NZ Fixed Interest Fund	4.6
AMP	Global Fixed Interest Fund	3.5
AMP	ANZ Property Fund	7.6
AMP	Australasian Shares Fund	2.6
AMP	International Shares Fund	21.1
SuperLife	Cash	5.6

SERVICE STANDARDS

Each provider has an Agreement with the Board to carry out its role to an agreed level of competence and timeliness. As the service standards are different within each Agreement, each quarter the providers report to the Board on how their service levels have fared according to their own agreed standards.

The Board has continued to focus on customer experience this year. A summary of provider performance against each provider's Service Level Agreement (SLA) is given in the following table.

Activity	Explanation	AMP		Smartshares	
		AMP SLA	Percentage met within Standard	Smartshares SLA	Percentage met within Standard
Change member records	Member record updated with notified changes; confirmation letter sent	5 days	100.00	1 day	73.68
Contribution amounts	Reconciled and allocated and funds invested	5 days	99.93	2 days	100.00
Switches	Processed and confirmation letter sent	5 days	100.00	1 day	87.41
Benefit payments: partial withdrawals	Payment actioned on receipt of request and confirmation sent	5 days	99.86	1 day	91.63
Benefit payments: closed accounts				1 day	95.79
Enquiries (written & phone)	Response provided as appropriate	5 days	78.56	1 day	94.87

AMP continue to record consistent performance against their own service standards in all categories barring Enquiries. The Board has discussed this with AMP and will continue monitoring customer experience with regard to customer contact going forward. The Board notes that the number of customer enquiries has more than doubled between the year ending June 2023 (5,416 enquiries across voice and written channels) and the year ending June 2024 (13,318). The Board will also be renegotiating the service standards with AMP with a focus on better outcomes for SSRSS members.

Smartshares has shown strong performance levels across all service standards except for Changing member records and Switches. As Smartshares is a new manager for SSRSS, the Board has discussed how these metrics are calculated with Smartshares.

The Board will also be receiving new customer service metrics from both providers going forward.

UPDATE ON CHANGES IN THE YEAR ENDING 30 JUNE 2024

The transition from ASB to Smartshares was completed on 28 August 2023, with the scheme name changing from the ASB Superannuation Master Trust Scheme to the SuperLife

Superannuation Master Trust on 16 August 2023. The Board will continue to monitor performance, fees and service levels going forward to ensure the best customer experience for members.

In May 2024 ANZ Investments announced that it is withdrawing from wholesale investment management and gave notice to AMP for the ANZ options, including those in the SSRSS. AMP advised that it has appointed its strategic partner BlackRock as underlying investment manager to replace ANZ. The funds will continue to be actively managed and will include a blend of some index tracking (passive) investments.

The Board has appointed a new Investment Advisor and Secretariat as a result of a competitive tender process performed during the year. From 1 July 2024, EriksensGlobal Limited will provide Secretariat and Investment Advisory Services going forward for a term of three years, ending 30 June 2027 with the option by agreement to renew for a further three-year term. The Board would like to thank Melville Jessup Weaver for providing Investment Advice Services to the since its inception and Secretariat Services since 2010.

CONCLUSION

Recent investment returns and future market volatility remain the focus for the Board and its Investment Advisor. Additionally, the Board is looking to review the Environmental, Social and Governance factors affecting members' fund options in the coming year. The Board has discussed the Service Level results for the year ending 30 June 2024 with both providers and will continue to monitor this going forward to ensure that each member of the SSRSS receives an exemplary level of administration performance. Additionally, the Board has discussed the option of receiving new customer experience metrics with both providers, so is looking to gain more insight into members' customer experience going forward.

This year Benedict Ferguson replaced Kirsten Windelov as the PSA representative on the Board, Mark Williamson replaced Donna Delaney from the Ministry of Education, and I replaced Heather Baggott as the Public Service Commissioner's representative and Chair of the Board. The Board would like to thank Kirsten, Donna and Heather for their contributions during their time on the Board.

I would like to thank the Board members for their efforts with the continued monitoring of the providers during the year. Their continued hard work in monitoring members' interests is appreciated.



Alex Chadwick
Chair – SSRSS Advisory Board

SSRSS DIRECTORY

SSRSS Advisory Board

Alex Chadwick (Chair)	Deputy Chief Executive, Workforce, Te Kawa Mataaho, Public Service Commission
Benedict Ferguson	PSA Delegate PSA
Gavin Quigan	Principal Adviser – Restricted MIS, Financial Markets Authority
Stephanie Mills	National Secretary, NZ Educational Institute Te Riu Roa
Fergus Welsh	Chief Financial Officer, Finance and Procurement, Ministry of Health
Mark Williamson	General Manager, Employment Relations and Pay Equity, Ministry of Education

Investment and Secretariat Providers

AMP

AMP Services (NZ) Ltd PO Box 55, Auckland Central, Auckland City 1140

Smartshares

Smartshares Limited Level 15, 45 Queen St, Auckland 1010

Investment Advisor

EriksensGlobal Limited PO Box 331318, Takapuna, Auckland 0740

Secretariat

EriksensGlobal Limited PO Box 331318, Takapuna, Auckland 0740