EMPLOYEE RETIREMENT PLAN

Financial Statements

For the Year Ended 30 June 2021

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For the Year Ended 30 June 2021

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Independent auditor's report

To the members of Employee Retirement Plan

Our opinion

In our opinion, the accompanying financial statements of the Employee Retirement Plan (the Plan) present fairly, in all material respects, the financial position of the Plan as at 30 June 2021, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

The Plan's financial statements comprise:

- the statement of net assets as at 30 June 2021;
- the statement of changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Plan in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor, we have no other relationships with, or interests in, the Plan.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. We have one key audit matter: Valuation and existence of investments amounting to $789.3 million. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Description of the key audit matter	How our audit addressed the key audit matter
Valuation and existence of investments amounting to $789.3 million Refer to note 5 in the financial statements for disclosures of investments, which are held at fair value through profit or loss (FVPL). This was an area of focus for our audit as it represents the majority of the net assets of the Plan. The Plan invests into unlisted investment funds which are categorised as level 2 within the fair value hierarchy. The fair value is based on the redemption price established by the Investment Fund Administrator. In assessing the fair value, the Trustee uses information provided by the Investment Manager. The Plan has no investments where there are unobservable inputs. All investments are held by the Custodian on behalf of the Plan.	We assessed the processes employed by the Administrator for recording and valuing the investments including the relevant controls operated by third party service organisations. The third party service organisations include the Investment Manager. Our assessment of the business processes included: • Obtaining an understanding of the business processes over classification, recognition and measurement of investments; and • Obtaining the controls report over asset management services provided by the Investment Manager. We evaluated the evidence provided by the controls reports over the design and operating effectiveness of the key controls. For all investments in unlisted investment funds, we agreed the redemption price at 30 June 2021 to the confirmation provided by the Investment Manager. We evaluated that the redemption price represents fair value by: • Comparing the redemption price at 30 June 2021 to recent transactions to support the fair value of the investments. • Comparing the net asset value per unit calculated based on the latest audited financial statements of the underlying unlisted investment funds to the published unit price on that date to provide evidence on reliability of unit pricing; and • Assessing whether the fair value of underlying assets and liabilities of the unlisted investment funds are primarily determined through observable market data. For existence, we agreed the investments held by the Plan at 30 June 2021 to confirmations obtained directly from the Custodian and the Investment Manager. From the procedures performed, we have no matters to report.

Our audit approach

Overview

Materiality	Overall materiality: $7,892,000, which represents approximately 1% of net assets of the Plan. We chose net assets as the benchmark because, in our view, the objective of the Plan is to provide members with a total return on the Plan's net assets, taking into account both capital and income returns.
Key audit matters	As reported above, because of the significance of the investments to the financial statements, we have determined that there is one key audit matter: Valuation and existence of investments amounting to $789.3 million.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements of the Plan as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements of the Plan as a whole.

How we tailored our audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements of the Plan as a whole, taking into account the structure of the Plan, the Plan's investments and the accounting and registry processes and controls.

Public Trust (the Trustee / Custodian) is responsible for the governance and control activities of the Plan. The Plan's investments are held by the Custodian. The Trustee has outsourced investment accounting (Administrator), investment management (Investment Manager) and registry services (Registrar) to Mercer (N.Z.) Limited. BNP Paribas Fund Services Australasia Pty Ltd - New Zealand Branch (the Investment Fund Administrator) is the administrator of the unlisted investment funds in which the Plan invests.

In completing our audit, we performed relevant audit procedures over the control environment of the Trustee, the Custodian, the Administrator, the Investment Manager and the Registrar to support our audit conclusions.

Other information

The Trustee is responsible for the other information. The other information comprises the information included in the final annual report (but does not include the financial statements and our auditor's report thereon). The other information we obtained prior to the date of this auditor's report comprised the draft annual report. The remaining other information is expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Trustee and use our professional judgement to determine the appropriate action to take.

Responsibilities of the Trustee for the financial statements

The Trustee is responsible for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to liquidate the Plan or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-2/

This description forms part of our auditor's report.

Who we report to

This report is made solely to Plan's members, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Plan's members, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Christopher Ussher.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
24 September 2021

Wellington

EMPLOYEE RETIREMENT PLAN

Statement of Net Assets
As at 30 June 2021

	Note	2021 $	2020 $
ASSETS			
Cash and Cash Equivalents		2,096,837	2,085,031
Investments	5	789,277,452	698,001,414
Trade and Other Receivables		25,000	25,000
Deferred Tax		38,436	171,468
Total Assets		791,437,725	700,282,913
Less LIABILITIES			
Benefits Payable		150,457	245,443
Trade and Other Payables		107,847	105,155
Income Tax Payable		1,967,691	5,842,534
Total Liabilities		2,225,995	6,193,132
NET ASSETS AVAILABLE FOR BENEFITS		789,211,730	694,089,781
LIABILITY FOR PROMISED BENEFITS			
Represented By:	3		
Members' Accounts		410,069,673	362,846,338
Employer Accounts		379,142,057	331,243,433
Operating Reserve Account		-	10
		789,211,730	694,089,781

For and on behalf of the Trustee, Public Trust, who authorised the issue of these financial statements.

Board Member ____________________ Date 23/09/2021

Board Member ____________________ Date 23/09/2021

This statement is to be read in conjunction with the notes on pages 8 to 15

EMPLOYEE RETIREMENT PLAN

Statement of Changes in Net Assets
For the Year Ended 30 June 2021

	Note	2021 $	2020 $
INVESTMENT ACTIVITIES			
Investment Income			
Gains on Investments	6	101,844,226	19,717,293
Interest Received		4,059	15,204
		101,848,285	19,732,497
Investment Expenses			
Investment Management Fees		(4,154,147)	(3,915,325)
Net Investment Gains		97,694,138	15,817,172
OTHER INCOME		25,000	75,652
OTHER EXPENSES			
Administration Fees		314,380	290,826
Auditor's Remuneration - Audit Fees		27,600	25,875
Tax Agent Fees		8,136	9,219
Trustees Fees		194,717	184,732
Other Expenses		78,090	56,934
Total Other Expenses		622,923	567,586
Change in Net Assets before Taxation and Membership Activities		97,096,215	15,325,238
Income Tax Expense	7	7,547,773	3,999,243
Change in Net Assets after Taxation and before Membership Activities		89,548,442	11,325,995
MEMBERSHIP ACTIVITIES			
Contributions			
Member Contributions		15,513,457	15,233,801
Member Voluntary Contributions		5,730,185	5,457,494
Employer Contributions		15,316,984	15,048,192
Total Contributions		36,560,626	35,739,487
Benefits Paid			
Retirement		12,716,751	15,516,354
Retrenchment		13,822	324,701
Death & Disablement		1,028,055	944,844
Hardship		507,300	231,460
Withdrawals		15,785,900	17,074,354
Transfers to other Schemes		935,291	1,463,420
Total Benefits Paid		30,987,119	35,555,133
Net Membership Activities		5,573,507	184,354
Net Increase in Net Assets During Year		95,121,949	11,510,349
Net Assets Available for Benefits at Beginning of Year		694,089,781	682,579,432
Net Assets Available for Benefits at End of Year		789,211,730	694,089,781

This statement is to be read in conjunction with the notes on pages 8 to 15

EMPLOYEE RETIREMENT PLAN

Statement of Cash Flows
For the Year Ended 30 June 2021

	Note	2021 $	2020 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash provided from			
Member Contributions		15,513,457	15,729,803
Member Voluntary Contributions		5,730,185	5,632,241
Employer Contributions		15,316,984	15,538,414
Other Income		25,000	50,652
Interest Received		4,059	15,204
		36,589,685	36,966,314
Cash applied to			
Benefits Paid		31,082,105	35,801,383
Other Expenses		620,230	567,533
		31,702,335	36,368,916
Net Cash Flows from Operating Activities	8	4,887,350	597,398
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash provided from			
Sale of Investments		761,954	3,825,087
Cash applied to			
Purchase of Investments		5,637,498	3,084,987
Net Cash Flows from Investing Activities		(4,875,544)	740,100
Net Increase in Cash Held		11,806	1,337,498
Cash and Cash Equivalents at the Beginning of the Year		2,085,031	747,533
Cash and Cash Equivalents at the End of the Year		2,096,837	2,085,031

This statement is to be read in conjunction with the notes on pages 8 to 15

1. **Plan Description**

The Employee Retirement Plan ("ERP" or "the Plan") is a defined contribution superannuation plan registered in New Zealand as a restricted workplace saving scheme under the Financial Markets Conduct Act 2013. The ERP Trust Deed was established with a commencement date of 1 September 2002 and since then, it has been amended on 31 August 2005, 30 November 2016 and 16 December 2020 respectively. Employers become a participant of the ERP by entering into an employer agreement with the Trustee of the Plan. ERP is a multi-employer master trust. The assets of the ERP are invested with the Mercer Investment Trusts New Zealand. As at balance date, the sole employer is the Ministry of Education.

During the year the Trustee of the Plan was Public Trust. In 2016 Public Trust was granted a corporate independent trustee licence to allow it to act as the sole independent trustee of the Plan under the Financial Markets Conduct Act 2013 ("FMCA").

Registered Office of the Plan: Mercer (N.Z.) Limited, PO Box 1849, Wellington 6140

Details of membership as at 30 June 2021 were:

	Active Members
1 July 2020	**9,688**
Retirement	140
Withdrawals	60
Redundancy	1
Permanent Emigration	5
Death and Permanent Incapacity	11
Financial Hardship	1
Transfers to Other Schemes	23
Ill Health	7
30 June 2021	**9,440**

Funding Arrangements
Members and employers pay contributions to the ERP in accordance with the Trust Deed and the relevant Employer Agreement.

With effect from 1 July 2005 all members receive a matching contribution from their Employer up to a maximum of 3% of gross base salary.

Retirement Benefits
The retirement benefits are determined by contributions to the Plan together with investment earnings on those contributions over the period of membership.

Termination Terms
The Trust Deed sets out the basis on which the Plan can be terminated.

Changes in the Plan
There were no changes to the Plan or Trust Deed during the 2021 financial year.

2. **Summary of Significant Accounting Policies**

Basis of Preparation
The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"), the requirements of the Financial Markets Conduct Act 2013 and other relevant legislative requirements as appropriate for For-profit entities.

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

Measurement Base
The measurement base adopted is that of historical cost modified by the revaluation of assets which are measured at fair values at balance date.

Functional and Presentation Currency
These financial statements are presented in New Zealand dollars which is also the functional currency because that is the currency of the primary economic environment in which the Plan operates.

Classification of Assets and Liabilities
The Employee Retirement Plan operates as a superannuation plan. As such, the assets and liabilities are disclosed in the Statement of Net Assets in an order that reflects their relative liquidity.

2. **Summary of Significant Accounting Policies (Cont'd)**

Capital Risk Management
The Plan's primary purpose is to ensure that its net assets are sufficient to meet all present and future obligations as defined by the liability for promised benefits.

The Plan achieves this through obtaining contributions from members and employers and investing these into financial assets.

Accounting Policies
The following are the significant accounting policies which have been adopted in the preparation of the financial statements:

Investment Income
Interest is taken to income on an effective interest basis.

Net realised and unrealised gains and losses including any distributions are recognised in the Statement of Changes in Net Assets in the period in which they occur.

Interest income on cash and cash equivalents is recognised on a time proportionate basis using the effective interest method.

Expenses
All expenses are accounted for on an accruals basis.

Taxation
The tax expense represents the sum of the tax currently payable and movements in deferred tax.

The tax 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 taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Plan’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by balance date.

The Plan invests in a number of Portfolio Investment Entities (PIEs). Investments are recorded gross of PIE tax receivable or payable. PIE tax expense is included in income tax expense in the Statement of Changes in Net Assets.

The Plan has elected to take advantage of section DV 2 of the Income Tax Act 2007 and has transferred deductible expenditure incurred by the Plan to the investment manager.

Financial Instruments
The Plan has various financial instruments comprising financial assets and liabilities with on-balance sheet risk.

Financial assets and financial liabilities are recognised on the Plan’s Statement of Net Assets when the Plan becomes a party to the contractual provisions of the instrument. The Plan shall offset financial assets and financial liabilities if the Plan has a legally enforceable right to set off the recognised amounts and interests and intends to settle on a net basis.

Financial assets at fair value through profit or loss
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 market concerned, and are initially measured at fair value.

Investments are classified at fair value through profit or loss. As the Plan’s business is investing in financial assets with a view to profiting from their total return in the form of interest, distributions or increases in fair value, investments in pooled superannuation schemes are at fair value through profit or loss on initial recognition.

Financial assets at fair value through profit or loss, are measured at subsequent reporting dates at fair value, which is the bid price of the exchange on which the investment is quoted.

Investments in units of pooled superannuation schemes are valued at the closing price released by the relevant investment manager.

2. **Summary of Significant Accounting Policies (Cont'd)**

Trade and Other Receivables
Trade and other receivables do not carry any interest and are short-term in nature and are recognised initially at fair value and subsequently at amortised cost using the effective interest method as reduced by appropriate allowances for impairment losses.

The carrying value of a financial asset is reduced by an impairment loss, with the exception of trade receivables where the Plan applies the NZ IFRS 9 approach to measure the expected credit losses which uses a lifetime expected loss allowance.

If, in the subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Changes in Net Assets to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Trade and Other Payables
Trade and other payables are not interest-bearing and are recognised initially at fair value and subsequently at amortised cost.

Goods and Services Tax (GST)
The Plan is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Statement of Cash Flows
The cash flows of the Plan do not include those of the investment manager. The following are definitions of the terms used in the Statement of Cash Flows:

Cash and cash equivalents - comprises cash balances held with banks in New Zealand.

Operating activities - include all transactions and other events that are not investing activities.

Investing activities - comprise acquisition and disposal of investments. Investments include securities not falling within the definition of cash.

Promised Retirement Benefits
The Liability for Promised Retirement Benefits is the Plan's present obligation to pay benefits to members and beneficiaries. It has been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the liabilities as at balance date. Promised benefits include amounts allocated to members' accounts and reserves.

Contributions and Benefits
Contributions and benefits are accounted for on an accruals basis.

New and amended standards and interpretations adopted by the Plan
Effective from 1 July 2020, 'Amendments to FRS-44 New Zealand Additional Disclosures' has been adopted in preparation of the Plan's financial statements this year. FRS-44 addresses the Going Concern disclosures and requires Trustees to perform an assessment of an entity's ability to continue as a going concern. Based on the Trustee's assessment, there are no material uncertainties related to events or conditions that may cast significant doubt upon the Scheme's ability to continue as a going concern. Therefore, the adoption of the standard did not have a material impact on the financial results, financial position or disclosures.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 July 2020 that have a material effect on the financial statements of the Plan.

3. **Liability for Promised Benefits**

Changes in Promised Benefits as at 30 June 2021:

	Member Account $	Employer Account $	Operating Reserve Account $	Total 2021 $
Balance 1 July 2020	362,846,338	331,243,433	10	694,089,781
Contributions	21,264,024	15,296,602	-	36,560,626
Benefits Paid	(20,664,833)	(10,322,283)	(3)	(30,987,119)
Change in Net Assets after Tax	-	-	89,548,442	89,548,442
Interest Allocated	46,624,144	42,924,305	(89,548,449)	-
Balance 30 June 2021	410,069,673	379,142,057	-	789,211,730

Changes in Promised Benefits as at 30 June 2020:

	Member Account $	Employer Account $	Operating Reserve Account $	Total 2020 $
Balance 1 July 2019	359,373,446	323,205,986	-	682,579,432
Contributions	20,691,295	15,048,192	-	35,739,487
Benefits Paid	(23,252,283)	(12,303,229)	379	(35,555,133)
Change in Net Assets after Tax	-	-	11,325,995	11,325,995
Interest Allocated	6,033,880	5,292,484	(11,326,364)	-
Balance 30 June 2020	362,846,338	331,243,433	10	694,089,781

Guaranteed Benefits
No guarantees have been made in respect of any part of the liability for promised benefits (2020: Nil).

Reserve Account
Pursuant to the Trust Deed, the Trustee shall establish a Reserve Account which shall be credited with the following:

(a) any amount not paid to a member upon ceasing employment with the Employer;
(b) any unclaimed benefit;
(c) any unallocated funds transferred in from another superannuation scheme;
(d) the Reserve Account's share of the Plan's earnings or loss;
(e) any profit share or other interest allocated by the Plan's investment manager and not otherwise allocated to members' accounts.

The Trustee may, at its discretion, apply any part or the whole of the Reserve Account to:

(a) increase on an equitable basis the total credits of all members;
(b) provide benefits other than retirement benefits for all members on an equitable basis;
(c) pay all or part of the contributions to the Plan of the Employer for all members on an equitable basis;
(d) pay expenses for the administration of the Plan;
(e) pay all or part of the insurance premiums payable under the Plan;
(f) in such other manner as is permitted from time to time under the Trust Deed.

4. **Vested Benefits**

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

	2021 $	2020 $
	789,211,730	694,089,781

5. **Investments**

	2021 $	2020 $
Mercer Investment Trust New Zealand		
- ERP Balanced Fund	402,106,777	348,794,351
- ERP Cash Fund	45,762,854	55,218,587
- ERP Growth Fund	218,090,036	174,584,025
- ERP Conservative Fund	123,317,785	119,404,451
	789,277,452	698,001,414

6. Gains on Investments

	2021 $	2020 $
Mercer Investment Trust New Zealand		
- ERP Balanced Fund	56,094,038	10,559,900
- ERP Cash Fund	241,241	646,922
- ERP Growth Fund	39,050,110	3,555,466
- ERP Conservative Fund	6,458,837	4,955,005
Total Gains on Investments	101,844,226	19,717,293

7. Income Tax

	2021 $	2020 $
Current Tax	7,414,741	4,132,727
Deferred Tax	133,032	(133,484)
	7,547,773	3,999,243

The total charge for the year can be reconciled to the Change in Net Assets as follows:

	2021	2020
Change in Net Assets before Tax and Membership Activities	97,096,215	15,325,238
Income Tax @ 28%	27,186,940	4,291,067
Tax effect of:		
Non Assessable Investment (Gains) and Losses	(28,516,383)	(5,520,842)
Non Deductible Investment Manager Fees	1,163,161	1,096,291
PIE Tax	7,714,055	4,132,727
Income Tax Expense	7,547,773	3,999,243

Deferred Tax

	2021	2020
Balance Brought Forward	171,468	37,984
Current Year Charge	(133,032)	133,484
Deferred Tax Asset	38,436	171,468

The Plan invests in Mercer Investment Trust New Zealand (MITNZ) funds, which are Portfolio Investment Entities (PIEs). A prescribed investor rate (PIR) of 28% has been applied in respect of these investments for the whole of the 30 June 2021 year.

Gains and losses on PIE investments held with a 28% PIR are taxable within the PIE fund, with any tax deducted / credits reflected in the valuation of investments at year end. However, to improve transparency in the financial statements, all PIE tax expense / credits are shown in the Statement of Changes in Net Assets as 'Income Tax Expense / (Credit), with 'Gains / (Losses) on Investments' presented gross of any tax deducted.

PIE Tax expense recognised includes the reversal of the liability of $5,876,218 for the period 1 April to 30 June 2020, an expense of $11,320,321 for the year ended 31 March 2021, and an expense of $1,970,637 for the period 1 April to 30 June 2021.

As at 30 June 2021, the Plan had expenses to carry forward to transfer to its PIE investments of $137,271 (2020: $612,384), which are recognised in the deferred tax balance.

8. Reconciliation of Net Cash Flows from Operating Activities to Increase in Net Assets

	2021 $	2020 $
Increase in Net Assets	95,121,949	11,510,349
Non-Cash Items		
Gains on Fair Value Through Profit or Loss Assets	(101,844,226)	(19,717,293)
PIE Tax Paid	11,289,585	(315,773)
Investment Management Fees	4,154,147	3,915,325
Movements in Other Working Capital Items		
(Decrease) / Increase in PIE Tax Payable	(3,874,843)	4,448,501
(Decrease) / (Decrease) in Benefits Payable	(94,986)	(246,251)
Increase in Member Contributions Receivable	-	670,748
Increase in Employer Contributions Receivable	-	490,222
(Decrease) / Increase in Deferred Tax	133,032	(133,484)
Increase / Increase in Trade and Other Payables	2,692	54
(Decrease) in Sundry Debtors	-	(25,000)
Net Cash Flows from Operating Activities	4,887,350	597,398

9. Financial Instruments

The Plan is involved with a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in the accounting policies.

The Trustee has approved a Statement of Investment Policy and Objectives (SIPO) which establishes investment portfolio objectives and target asset allocations. Performance against these targets is reviewed at least quarterly by the Trustee and asset re-allocations undertaken as required.

Fair Value
The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective fair values, determined in accordance with the Plan's accounting policies.

Categories of Financial Instruments - 30 June 2021

	Financial Assets at Fair Value through Profit or Loss $	Financial Assets at Amortised Cost $	Financial Liabilities at Amortised Cost $
Assets			
Mercer Investment Trust New Zealand			
- ERP Balanced Fund	402,106,777	-	-
- ERP Cash Fund	45,762,854	-	-
- ERP Growth Fund	218,090,036	-	-
- ERP Conservative Fund	123,317,785	-	-
Cash and Cash Equivalents	-	2,096,837	-
Trade and Other Receivables	-	25,000	-
	789,277,452	2,121,837	-
Liabilities			
Trade and Other Payables	-	-	107,847
Benefits Payable	-	-	150,457
	-	-	258,304
Liability for promised benefits			
Members' Accounts	-	-	410,069,673
Employer Accounts	-	-	379,142,057
Operating Reserve Account	-	-	-
	-	-	789,211,730

9. **Financial Instruments (Cont'd)**

Categories of Financial Instruments - 30 June 2020

	Financial Assets at Fair Value through Profit or Loss $	Financial Assets at Amortised Cost $	Financial Liabilities at Amortised Cost $
Assets			
Mercer Investment Trust New Zealand			
- ERP Balanced Fund	348,794,351	-	-
- ERP Cash Fund	55,218,587	-	-
- ERP Growth Fund	174,584,025	-	-
- ERP Conservative Fund	119,404,451	-	-
Cash and Cash Equivalents	-	2,085,031	-
Trade and Other Receivables	-	25,000	-
	-		-
	698,001,414	2,110,031	-
Liabilities			
Trade and Other Payables	-	-	105,155
Benefits Payable	-	-	245,443
	-	-	350,598
Liability for promised benefits			
Members' Accounts			362,846,338
Employer Accounts	-	-	331,243,433
Operating Reserve Account	-	-	10
	-	-	694,089,781

Prepayments, current and deferred tax and contributions received in advance are excluded from the balances in the tables above, as this analysis is required only for financial instruments.

Hierarchy of Fair Value Measurements - 30 June 2021

The following table provides an analysis of 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 for 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).

Description	Level 1 $	Level 2 $	Level 3 $	Total $
Investments	-	789,277,452	-	789,277,452
Total	-	789,277,452	-	789,277,452

Hierarchy of Fair Value Measurements - 30 June 2020

Description	Level 1 $	Level 2 $	Level 3 $	Total $
Investments	-	698,001,414	-	698,001,414
Total	-	698,001,414	-	698,001,414

The financial assets above have been classified as level 2 as they are investments in a unitised superannuation scheme MITNZ with fair values derived from quoted prices in non-active markets.

There were no transfers between levels in the period.

9. **Financial Instruments (Cont'd)**

Financial Risk Management
The Plan may be exposed to credit risk, liquidity risk and market risk (including price risk) arising from the financial instruments it holds.

Credit Risk
Financial instruments which potentially expose the Plan to credit risk consist of cash and receivables and, indirectly, investments in unitised products which invest in cash and fixed interest investments.

The maximum exposure to credit risk is the carrying value of these financial instruments. The significant counterparty and concentration of credit risk for the Plan is its investment into MITNZ, which the Trustee considers to be a financial institution of high quality. The investments are held in trust by the trustee of the MITNZ for the benefit of the Plan. The manager for MITNZ maintains diversified investment portfolios in accordance with the SIPO adopted by the Trustee.

Liquidity Risk
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The Plan manages liquidity in accordance with its investment mandate by investing in readily realisable investments to meet cash flow requirements.

There are no restrictions on the redemption of units and they may be redeemed for cash at any time, subject to the approval of the Trustees.

Financial liabilities of the Plan are trade and other payables and benefits payable and are payable within one month.

Market Risk
The Plan is exposed indirectly to foreign exchange risk, interest rate risk and other price risks through its investments in MITNZ. These investments are unitised and the underlying securities comprise domestic and international equity instruments.

Due to the unitised nature of the investments it is not practical to determine the sensitivity of the unit price to changes in foreign exchange rates, interest rates or other market factors. These investments are managed by Mercer (Mercer N.Z. Limited) and the Plan has no influence over how these risks are controlled or mitigated but considers the portfolio to be of such a diverse nature as to reduce significant exposure to the impact of market movements.

Currency Risk
The Plan is indirectly exposed to currency risk in that future currency movements will affect the valuation of investments in unitised products which invest in foreign currency denominated investments. During the year the Plan did not directly hold investments denominated in a foreign currency.

Risk management activities are undertaken by the Plan's investment manager to operate within the SIPO provided by the Trustee.

Interest Rate Risk
The Plan is indirectly exposed to interest rate risk in that future interest rate movements will affect cash flows and indirectly, the valuation of investments in unitised products which invest in cash and fixed interest investments.

Interest rate risk management activities are undertaken by the investment manager in accordance with the investment mandate set by the Trustee.

Price Risk
A five cent movement in the unit prices of the Plan's investments in MITNZ would have an impact on the value of the Plan's assets and income of +/- $24,218,236 (2020: +/- $24,377,214 based on five cent decrease in unit price).

10. **Commitments and Contingent Liabilities**

There were no commitments or contingent liabilities outstanding as at 30 June 2021 (2020: Nil).

11. **Related Parties**

ERP holds no investments in the Employer or any of its related parties. During the year ERP received $15,316,983 (2020: $15,048,192) of Employer contributions. Trustee fees of $194,717 (2020: $184,732) were paid to Public Trust.

12. **Events After Balance Date**

There have been no material events after balance date that require adjustment to or disclosure in the financial statements (2020: Nil).