

**EMPLOYEE RETIREMENT PLAN**

**Financial Statements**

**For the Year Ended 30 June 2023**

# **EMPLOYEE RETIREMENT PLAN**

## **Financial Statements**

**For the Year Ended 30 June 2023**

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## Independent auditor's report

To the members of Employee Retirement Plan (the Plan)

### Our opinion

In our opinion, the accompanying financial statements of the Plan present fairly, in all material respects, the financial position of the Plan as at 30 June 2023, 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 2023;
- 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. These matters were 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 these matters.

Description of the key audit matter	How our audit addressed the key audit matter
<b>Valuation and existence of investments totaling \$747 million</b> 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 categorized as level 2 within the fair value hierarchy. The fair	We obtained an understanding and assessed the processes employed by the Trustee for recording and valuing the investments at FVPL, including the relevant controls operated by third party service organisations. The third party service organisations include the Investment Manager and Investment Fund Administrator. Our assessment of the business process included: <ul style="list-style-type: none"><li>• Obtaining an understanding of the business process over classification, recognition and measurement of investments; and</li></ul>



Description of the key audit matter	How our audit addressed the key audit matter
<p>value is based on the redemption price established by the Investment Fund Administrator. In assessing the fair value, the Trustee uses information provided by Mercer (N.Z.) Limited (the Investment Manager).</p> <p>The Plan has no investments where there are unobservable inputs.</p> <p>All investments are held by the Public Trust (the Custodian) on behalf of the Plan.</p>	<ul style="list-style-type: none"> <li>Obtaining the controls reports to 31 March 2023 and 30 May 2023 and the bridging letters from those dates to 30 June 2023 over investment management services, including unit pricing, provided by the Investment Fund Administrator and the Investment Manager. We evaluated the evidence provided by the controls reports over the design and operating effectiveness of the key controls.</li> </ul> <p>For all investments in unlisted investment funds, we agreed the redemption price at 30 June 2023 to the confirmation provided by the Investment Manager. We evaluated that the redemption price represents fair value by:</p> <ul style="list-style-type: none"> <li>Comparing the redemption price at 30 June 2023 to the Investment Manager's published unit price to support the fair value of the investments.</li> <li>Comparing the net asset value per unit calculated based on the latest audited financial statements of the underlying unlisted investments funds to the published unit price on that date to provide evidence on reliability of unit pricing; and</li> <li>Assessing whether the fair value of underlying assets and liabilities of the unlisted investment funds are primarily determined through observable market data.</li> </ul> <p>For existence, we agreed the investments held by the Plan at 30 June 2023 to confirmations obtained directly from the Custodian and the Investment Manager.</p>

## Our audit approach

### Overview

<b>Materiality</b>	<p>Our materiality for the Plan is calculated based on approximately 1% of net assets for the Plan.</p> <p>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.</p>
<b>Key audit matters</b>	<p>As reported above, we have one key audit matter, being Valuation and existence of investments totaling \$747 million.</p>

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 and 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 Custodian, the Administrator, and the Investment Manager to support our audit conclusions.

### Other information

The Trustee is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we 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.

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.

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**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.

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**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.

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**Who we report to**

This report is made solely to the 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.

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

For and on behalf of:

A handwritten signature in dark ink, appearing to read 'PricewaterhouseCoopers'.

Chartered Accountants  
27 September 2023


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## EMPLOYEE RETIREMENT PLAN

### Statement of Net Assets As at 30 June 2023

	Note	2023 \$	2022 \$
<b>ASSETS</b>			
Cash and Cash Equivalents		2,737,442	1,023,614
Investments	5	747,019,817	719,870,466
Trade and Other Receivables		-	25,000
PIE Tax Receivable		-	6,431,440
Deferred Tax		51,489	38,250
<b>Total Assets</b>		<b>749,808,748</b>	<b>727,388,770</b>
<b>Less LIABILITIES</b>			
Benefits Payable		1,256,794	1,283,995
Member Contributions Refundable		-	108
Employer Contributions Refundable		-	108
Trade and Other Payables		117,697	119,994
PIE Tax Payable		138,618	-
<b>Total Liabilities</b>		<b>1,513,109</b>	<b>1,404,205</b>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>		<b>748,295,639</b>	<b>725,984,565</b>
<b>LIABILITY FOR PROMISED BENEFITS</b>			
<i>Represented By:</i>	3		
Members' Accounts		382,760,846	374,944,245
Employer Accounts		365,534,793	351,040,316
Operating Reserve Account		-	4
		<b>748,295,639</b>	<b>725,984,565</b>

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

Board Member 

Date 26 September 2023

Board Member 

Date 26 September 2023

## EMPLOYEE RETIREMENT PLAN

### Statement of Changes in Net Assets For the Year Ended 30 June 2023

	Note	2023 \$	2022 \$
<b>INVESTMENT ACTIVITIES</b>			
<b>Investment Income</b>			
Gain/(Loss) on Investments	6	50,280,832	(56,053,796)
Interest Received		61,173	13,428
		<u>50,342,005</u>	<u>(56,040,368)</u>
<b>Investment Expenses</b>			
Investment Management Fees		<u>(4,122,799)</u>	<u>(4,365,878)</u>
<b>Net Investment Gain/(Loss)</b>		46,219,206	(60,406,246)
<b>OTHER INCOME</b>			
		25,000	25,000
<b>OTHER EXPENSES</b>			
Administration Fees		321,635	316,664
Auditor's Remuneration - Audit Fees	12	47,093	36,800
Tax Consultant Fees		7,245	6,901
Trustee Fees		187,462	209,188
Other Expenses		89,893	82,090
<b>Total Other Expenses</b>		<u>653,328</u>	<u>651,643</u>
<b>Change in Net Assets before Taxation and Membership Activities</b>		<u>45,590,878</u>	<u>(61,032,889)</u>
Income Tax Expense/(Benefit)	7	<u>3,965,500</u>	<u>(6,771,633)</u>
<b>Change in Net Assets after Taxation and before Membership Activities</b>		41,625,378	(54,261,256)
<b>MEMBERSHIP ACTIVITIES</b>			
<b>Contributions</b>			
Member Contributions		14,082,809	15,122,724
Member Voluntary Contributions		5,564,318	6,138,221
Employer Contributions		<u>13,879,336</u>	<u>14,934,117</u>
<b>Total Contributions</b>		33,526,463	36,195,062
<b>Benefits Paid</b>			
Retirement		26,875,827	22,942,867
Redundancy		-	270,849
Death & Disablement		943,065	269,221
Financial Hardship		739,221	334,912
Withdrawals		23,966,972	19,896,144
Transfers to other Schemes		<u>315,682</u>	<u>1,446,978</u>
<b>Total Benefits Paid</b>		<u>52,840,767</u>	<u>45,160,971</u>
<b>Net Membership Activities</b>		<u>(19,314,304)</u>	<u>(8,965,909)</u>
<b>Net Increase/(Decrease) in Net Assets During Year</b>		22,311,074	(63,227,165)
Net Assets Available for Benefits at Beginning of Year		725,984,565	789,211,730
<b>Net Assets Available for Benefits at End of Year</b>		<u><u>748,295,639</u></u>	<u><u>725,984,565</u></u>

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 2023

	Note	2023 \$	2022 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<i><b>Cash provided from</b></i>			
Member Contributions		14,082,701	15,122,832
Member Voluntary Contributions		5,564,318	6,138,221
Employer Contributions		13,879,228	14,934,225
Other Income		50,000	25,000
Interest Received		61,174	13,428
		<u>33,637,421</u>	<u>36,233,706</u>
<i><b>Cash applied to</b></i>			
Benefits Paid		52,867,968	44,027,433
Other Expenses		655,625	639,496
		<u>53,523,593</u>	<u>44,666,929</u>
<b>Net Cash Flows from Operating Activities</b>	8	<u>(19,886,172)</u>	<u>(8,433,223)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<i><b>Cash provided from</b></i>			
Sale of Investments		22,300,000	9,040,000
<i><b>Cash applied to</b></i>			
Purchase of Investments		700,000	1,680,000
<b>Net Cash Flows from Investing Activities</b>		<u>21,600,000</u>	<u>7,360,000</u>
<b>Net Increase/(Decrease) in Cash Held</b>		1,713,828	(1,073,223)
<b>Cash and Cash Equivalents at the Beginning of the Year</b>		1,023,614	2,096,837
<b>Cash and Cash Equivalents at the End of the Year</b>		<u><u>2,737,442</u></u>	<u><u>1,023,614</u></u>

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

## EMPLOYEE RETIREMENT PLAN

### Notes to the Financial Statements For the Year Ended 30 June 2023

#### 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 savings scheme under the Financial Markets Conduct Act 2013 ("FMCA"). The ERP Trust Deed was established with a commencement date of 1 September 2002 and subsequently amended on 31 August 2005, 30 November 2016 and 16 December 2020 respectively. Employers become a participant of the Plan by entering into an employer agreement with the Trustee of the Plan. ERP is a multi-employer master trust. The assets of the Plan are invested with Mercer Investment Trusts New Zealand ("MITNZ"). As at balance date, the sole employer is the Ministry of Education.

The Trustee of the Plan is 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 FMCA.

On 31 October 2021, the Financial Markets Conduct (Corporate Trustees) Exemption Notice 2021 came into force. The notice provides for Public Trust to continue to act as Licensed Independent Trustee of the Plan for a further five-year term ending 20 October 2026.

Investment management services are provided by Mercer (N.Z.) Limited.

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

Details of membership as at 30 June 2023 were:

#### 1 July 2022

Retirement  
Withdrawals  
Redundancy  
Permanent Emigration  
Death and Permanent Incapacity  
Transfers to Other Schemes  
Ill Health  
Financial Hardship

#### 30 June 2023

Active Members	
	9,095
	227
	113
	-
	7
	14
	6
	4
	1
	8,723

#### Funding Arrangements

Members and employers pay contributions to the Plan 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 2023 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, the provisions of the Trust Deed 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 value 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 assets and liabilities are disclosed in the Statement of Net Assets in an order that reflects their relative liquidity.

## EMPLOYEE RETIREMENT PLAN

### Notes to the Financial Statements (Cont'd) For the Year Ended 30 June 2023

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

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

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.

##### Expenses

All expenses are accounted for on an accruals basis.

##### Taxation

The tax expense/benefit 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 the Change in Net Assets before Taxation and Membership Activities 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 non-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/rebate is included in income tax expense/benefit 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 Mercer Investment Trusts New Zealand.

##### 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.

## EMPLOYEE RETIREMENT PLAN

### Notes to the Financial Statements (Cont'd) For the Year Ended 30 June 2023

#### 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.

##### 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 and cash equivalents.

##### 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

The amendments to FRS-44 New Zealand Additional Disclosures which require an entity to disclose the fees incurred for services received from its audit or review firm is effective from 15 June 2023 and mandatory from 1 January 2024.

The Plan elected to early adopt the amendments to FRS-44 and has included Note 12 to comply with the disclosure requirements of the standard. There was no other impact on the financial statements of the Plan.

There are no other standards, amendments to standards or interpretations that are effective, for annual periods beginning on 1 July 2022, that have a material effect on the financial statement of the Plan.

## EMPLOYEE RETIREMENT PLAN

### Notes to the Financial Statements (Cont'd) For the Year Ended 30 June 2023

#### 3. Liability for Promised Benefits

##### Changes in Promised Benefits as at 30 June 2023:

	Member Account	Employer Account	Operating Reserve Account	Total 2023
	\$	\$	\$	\$
Balance 1 July 2022	374,944,245	351,040,316	4	725,984,565
Contributions	19,647,125	13,879,332	6	33,526,463
Benefits Paid	(33,213,412)	(19,627,355)	-	(52,840,767)
Change in Net Assets after Tax	-	-	41,625,378	41,625,378
Interest Allocated	21,382,888	20,242,500	(41,625,388)	-
Balance 30 June 2023	<u>382,760,846</u>	<u>365,534,793</u>	<u>-</u>	<u>748,295,639</u>

##### Changes in Promised Benefits as at 30 June 2022:

	Member Account	Employer Account	Operating Reserve Account	Total 2022
	\$	\$	\$	\$
Balance 1 July 2021	410,069,673	379,142,057	-	789,211,730
Contributions	21,260,945	14,934,117	-	36,195,062
Benefits Paid	(28,396,025)	(16,764,948)	-	(45,160,973)
Change in Net Assets after Tax	-	-	(54,261,255)	(54,261,255)
Interest Allocated	(27,990,349)	(26,270,910)	54,261,259	-
Balance 30 June 2022	<u>374,944,245</u>	<u>351,040,316</u>	<u>4</u>	<u>725,984,565</u>

##### Guaranteed Benefits

No guarantees have been made in respect of any part of the liability for promised benefits (2022: 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.

2023	2022
\$	\$
<u>748,295,639</u>	<u>725,984,565</u>

#### 5. Investments

##### Mercer Investment Trusts New Zealand

	2023	2022
	\$	\$
- ERP Balanced Fund	373,180,771	361,990,382
- ERP Cash Fund	45,890,358	44,340,208
- ERP Growth Fund	216,887,227	201,519,521
- ERP Conservative Fund	<u>111,061,461</u>	<u>112,020,354</u>
	<u>747,019,817</u>	<u>719,870,466</u>

## EMPLOYEE RETIREMENT PLAN

### Notes to the Financial Statements (Cont'd) For the Year Ended 30 June 2023

6. Gain/(Loss) on Investments	2023 \$	2022 \$
<i>Mercer Investment Trusts New Zealand</i>		
- ERP Balanced Fund	25,455,244	(31,005,188)
- ERP Cash Fund	1,953,115	437,203
- ERP Growth Fund	18,733,684	(18,920,530)
- ERP Conservative Fund	4,138,789	(6,565,281)
<b>Total Gain/(Loss) on Investments</b>	<b>50,280,832</b>	<b>(56,053,796)</b>

7. Income Tax	2023 \$	2022 \$
Current Tax	3,978,739	(6,771,819)
Deferred Tax	(13,239)	186
	<b>3,965,500</b>	<b>(6,771,633)</b>

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

Change in Net Assets before Taxation and Membership Activities	45,590,878	(61,032,889)
Income Tax @ 28%	12,765,446	(17,089,209)
Tax effect of:		
Non Assessable Investment (Gains) and Losses	(14,078,633)	15,695,063
Non Deductible Investment Management Fees	1,154,384	1,222,446
PIE Tax	4,124,303	(6,599,933)
<b>Income Tax Expense/(Benefit)</b>	<b>3,965,500</b>	<b>(6,771,633)</b>
<b>Deferred Tax</b>		
Balance Brought Forward	38,250	38,436
Current Year Charge	13,239	(186)
<b>Deferred Tax Asset</b>	<b>51,489</b>	<b>38,250</b>

The Plan invests in Mercer Investment Trusts 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 2023 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/rebates are shown in the Statement of Changes in Net Assets as 'Income Tax (Benefit)/Expense', with '(Loss)/Gain on Investments' presented gross of any PIE tax.

PIE Tax recognised includes the reversal of the liability of \$6,442,511 for the period 1 April to 30 June 2022, a benefit of \$2,460,863 for the year ended 31 March 2023, and an expense of \$113,819 for the period 1 April to 30 June 2023 (2022: PIE Tax expense recognised includes the reversal of the liability of \$1,970,638 for the period 1 April to 30 June 2021, an expense of \$1,813,216 or the year ended 31 March 2022, and a benefit of \$6,442,511 for the period 1 April to 30 June 2022).

As at 30 June 2023, the Plan had expenses to carry forward to transfer to its PIE investments of \$183,890 (2022: \$136,605), which are recognised in the deferred tax balance.

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

	2023 \$	2022 \$
Increase/(Decrease) in Net Assets	22,311,074	(63,227,165)
<b>Non-Cash Items</b>		
(Gain)/Loss on Investments	(50,280,832)	56,053,796
PIE tax (rebate)/expense	(2,591,319)	1,627,312
Investment Management Fees	4,122,799	4,365,878
<b>Movements in Other Working Capital Items</b>		
Decrease/(Increase) in PIE Tax Receivable	6,431,440	(6,431,440)
Increase/(Decrease) in PIE Tax Payable	138,618	(1,967,691)
(Decrease)/ Increase in Benefits Payable	(27,201)	1,133,538
(Decrease)/Increase in Member Contributions Refundable	(108)	108
(Decrease)/Increase in Employer Contributions Refundable	(108)	108
(Increase)/Decrease in Deferred Tax	(13,239)	186
(Decrease)/Increase in Trade and Other Payables	(2,296)	12,147
Decrease in Trade and Other Receivables	25,000	-
<b>Net Cash Flows from Operating Activities</b>	<b>(19,886,172)</b>	<b>(8,433,223)</b>

## EMPLOYEE RETIREMENT PLAN

### Notes to the Financial Statements (Cont'd) For the Year Ended 30 June 2023

#### 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 2023

	Financial Assets at Fair Value through Profit or Loss \$	Financial Assets at Amortised Cost \$	Financial Liabilities at Amortised Cost \$
<b>Assets</b>			
<i>Mercer Investment Trusts New Zealand</i>			
- ERP Balanced Fund	373,180,771	-	-
- ERP Cash Fund	45,890,358	-	-
- ERP Growth Fund	216,887,227	-	-
- ERP Conservative Fund	111,061,461	-	-
Cash and Cash Equivalents	-	2,737,442	-
	<u>747,019,817</u>	<u>2,737,442</u>	<u>-</u>
<b>Liabilities</b>			
Trade and Other Payables	-	-	117,697
Benefits Payable	-	-	1,256,794
	<u>-</u>	<u>-</u>	<u>1,374,491</u>
<b>Liability for promised benefits</b>			
Members' Accounts	-	-	382,760,846
Employer Accounts	-	-	365,534,793
Operating Reserve Account	-	-	-
	<u>-</u>	<u>-</u>	<u>748,295,639</u>

#### Categories of Financial Instruments - 30 June 2022

	Financial Assets at Fair Value through Profit or Loss \$	Financial Assets at Amortised Cost \$	Financial Liabilities at Amortised Cost \$
<b>Assets</b>			
<i>Mercer Investment Trusts New Zealand</i>			
- ERP Balanced Fund	361,990,382	-	-
- ERP Cash Fund	44,340,208	-	-
- ERP Growth Fund	201,519,521	-	-
- ERP Conservative Fund	112,020,354	-	-
Cash and Cash Equivalents	-	1,023,614	-
Trade and Other Receivables	-	25,000	-
	<u>719,870,466</u>	<u>1,048,614</u>	<u>-</u>
<b>Liabilities</b>			
Trade and Other Payables	-	-	119,994
Member Contributions Refundable	-	-	108
Employer Contributions Refundable	-	-	108
Benefits Payable	-	-	1,283,995
	<u>-</u>	<u>-</u>	<u>1,404,205</u>
<b>Liability for promised benefits</b>			
Members' Accounts	-	-	374,944,245
Employer Accounts	-	-	351,040,316
Operating Reserve Account	-	-	4
	<u>-</u>	<u>-</u>	<u>725,984,565</u>

Current and deferred tax are excluded from the balances in the tables above, as this analysis is required only for financial instruments.

## EMPLOYEE RETIREMENT PLAN

### Notes to the Financial Statements (Cont'd) For the Year Ended 30 June 2023

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

##### Hierarchy of Fair Value Measurements - 30 June 2023

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	-	747,019,817	-	747,019,817
<b>Total</b>	-	747,019,817	-	747,019,817

##### Hierarchy of Fair Value Measurements - 30 June 2022

Description	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Investments	-	719,870,466	-	719,870,466
<b>Total</b>	-	719,870,466	-	719,870,466

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

There were no transfers between levels in the period.

##### 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. The financial risk management disclosures have been prepared on the basis of the Plan's direct investments and not on a full look through basis for investments held indirectly through MITNZ.

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

##### 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 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.

Liquidity risk management is designed to ensure that the Plan has the ability to generate sufficient cash in a timely manner to meet its financial commitments and normal withdrawals. 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.



## EMPLOYEE RETIREMENT PLAN

### Notes to the Financial Statements (Cont'd) For the Year Ended 30 June 2023

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

##### *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.

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 percent 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 +/- \$23,359,096 (2022: +/- \$23,952,294 based on a five cent increase or decrease in unit price).

##### *Capital Risk*

The Plan's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns to members as well as ensuring the net assets available for benefits to members is sufficient to meet all present and future obligations. The Plan achieves this through obtaining contributions from members and employers and investing these into financial assets.

The Plan employs a combination of prudent investment strategies, risk assessment, portfolio diversification, regulatory compliance, and effective governance to meet the objectives for capital risk management

#### 10. Commitments and Contingent Liabilities

There were no commitments or contingent liabilities outstanding as at 30 June 2023 (2022: Nil).

#### 11. Related Parties

ERP holds no investments in the Employer or any of its related parties. During the year, the Plan received \$13,879,336 (2022:\$14,934,117) of Employer contributions. Trustee fees of \$187,462 (2022:\$209,188) were paid or payable to Public Trust.

#### 12. Fees incurred for services provided by the audit firm

The following professional service fees were paid or payable by the Plan.

	2023	2022
	\$	\$
Audit of the financial statements - PwC	47,093	36,800
	<u>47,093</u>	<u>36,800</u>

#### 13. Events After Balance Date

There have been no material events after balance date that require adjustment to or disclosure in the financial statements (2022: Nil).