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SECTION ONE
DETAILS OF SCHEME

Name of the Scheme:
Defence Force Superannuation Scheme

Type of scheme: Legacy Superannuation Scheme

Manager: Mercer (N.Z.) Limited

Supervisor: Trustees Executors Limited

Status of the Scheme:
The Scheme is closed to new members.

The Scheme fund updates:
A fund update for each of the seven investment funds for the year ended 31 March 2017 was made publically available on 30 June 2017.

Financial statements and auditor’s report:
The latest full financial statements for the scheme that comply with, and have been registered under, the Financial Markets Conduct Act 2013 cover the financial year 1 April 2016 to 31 March 2017 and were authorised for issue by the manager, Mercer (N.Z.) Limited, on 24 July 2017.

The auditor’s report on those financial statements was dated 24 July 2017. The auditor’s report did not refer to any fundamental uncertainty, nor was it qualified or modified in any respect.
Welcome to the Defence Force Superannuation Scheme (“DFSS” or the Scheme) Annual Report for the year ended 31 March 2017. Now is a great time to reflect on what we were able to achieve together and start planning for the year ahead.

The Scheme transitions to under the Financial Markets Conduct Act

The Scheme officially transitioned to the new Financial Markets Conduct Act in September last year. This is the first year this annual report is produced under this regime, so you will notice a few changes like not having a summary financial statement or the auditor’s report. The full financial statements and the auditor’s report on these can now be accessed online on the new Companies Office website www.companiesoffice.govt.nz/disclose. The new requirements also mean the Scheme has to produce fund updates for each investment option. The purpose of the fund update is to tell you how an investment option has performed and to help you compare it with other funds.

Performance and commitment to socially responsible investment

All investment funds continued to deliver strong positive returns, which was particularly pleasing. Despite these challenging times your savings have continued to grow. You can monitor your investment and download monthly returns online.

When leaving NZDF

As we were getting ready to comply with the new regulatory requirements and were improving benefits for our members, we wanted to ensure leaving members of the NZDF were looked after. The ability for our members to continue to contribute is something you should consider and discuss with a financial adviser. NZDF has appointed independent financial advisers whose details you can find in this report.

As an alternative to continuing to contribute to the DFSS you can join the New Zealand Defence Force KiwiSaver Scheme and / or the New Zealand Defence Force FlexiSaver Scheme. Your family members can also join these schemes.

Our commitment to you

This annual report covers all the legal information the Scheme must report each year, but to ensure you can access additional information if required and be able to do it on the go, we’ve upgraded our Force Financial Hub. This website is getting more than 2,000 hits a month, so if you haven’t checked it out yet simply Google Force Financial Hub to access additional content.

I am proud to see members of the Defence Force community save for their future. Thank you for being a part of the Defence Force savings programme and I look forward to seeing your savings grow.

Lieutenant General Tim Keating
Chief of Defence Force
SCHEME SNAPSHOT

AS AT 31 MARCH 2017

3,685 members

$92,862 average member balance

$342,197,501 invested

192 Prezzy Card winners across our savings schemes

114 first home purchases
NZDF LOOKING AFTER YOUR FINANCIAL WELLBEING

This annual report covers the Defence Force Superannuation Scheme, one of three savings schemes available to members of NZDF. As a member of the Defence Community can join the New Zealand Defence Force KiwiSaver Scheme and / or the New Zealand Defence Force FlexiSaver Scheme. The Defence Force Superannuation Scheme is closed to new entrants.

All three savings schemes are managed by Mercer, who administers these schemes, manages your investments and looks after the schemes’ online portal www.nzdf.superfacts.co.nz where you can check your personal information.

All NZDF Savings Schemes are part of the Force Financial Hub which has been set up so you can easily access all of the Defence Force’s financial benefits in one place. As a member of the NZDF you are able to access products, benefits, services and tools through the Force Financial Hub.

FURTHER INFORMATION

There are lots of useful sources of further information to help you plan for your future and save for retirement. Here is a list of a few places you may want to check out.

- **Force Financial Hub**
  It is a great source of information to help you and your family to get sorted financially.
  www.nzdf.mil.nz/families/financial-hub/

- **The scheme’s online portal**
  contains information to help you make the most of your scheme membership. This information includes useful articles and reports along with all the scheme documents and forms you may need from time to time.
  You can also use the portal to sign in to your personal account and view information about your savings. To access the portal, go to www.nzdf.superfacts.co.nz.

- **The Retirement Income Simulator** is provided to plan for your retirement and keep your plan on track.
  Sign in to your personal account at www.nzdf.superfacts.co.nz to check out this tool.

- **Financial Advice from Milestone Direct**
  As a member of the Defence community you can get general advice about the Defence Force Superannuation Scheme, at no cost to you. If you need more detailed advice, an authorised financial adviser can provide you with more personalised advice and recommendations tailored to your individual situation.
  To access the Milestone Direct website go to nzdf.milestonedirect.co.nz.
SECTION TWO

INFORMATION ON CONTRIBUTIONS AND SCHEME PARTICIPANTS

All of the membership and other information in this section is shown for the year ended 31 March 2017. At 1 April 2016, the total amount of members’ accumulation relating to 4,029 members was $339,987,006.

At 31 March 2017, the total amount of members’ accumulation relating to 3,685 members was $342,197,501.

<table>
<thead>
<tr>
<th>MEMBERSHIP DETAILS</th>
<th>CONTRIBUTING MEMBERS</th>
<th>NON-CONTRIBUTING MEMBERS</th>
<th>TOTAL NUMBER OF MEMBERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total membership at 1 April 2016</td>
<td>3,161</td>
<td>868</td>
<td>4,029</td>
</tr>
<tr>
<td>Plus</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New members</td>
<td></td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Transfers from other schemes</td>
<td></td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Total new members</td>
<td></td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Less</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retirement</td>
<td></td>
<td></td>
<td>18</td>
</tr>
<tr>
<td>Death</td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Transfers to other schemes</td>
<td></td>
<td></td>
<td>90</td>
</tr>
<tr>
<td>Other reasons</td>
<td></td>
<td></td>
<td>233</td>
</tr>
<tr>
<td>Total exits</td>
<td></td>
<td></td>
<td>344</td>
</tr>
<tr>
<td>Total membership at 31 March 2017</td>
<td>2,760</td>
<td>925</td>
<td>3,685</td>
</tr>
</tbody>
</table>

CONTRIBUTIONS

Contributions are what helps you grow your retirement savings. Contributions to your account can come from you, NZDF and the Government (if applicable).

<table>
<thead>
<tr>
<th>CONTRIBUTIONS RECEIVED FOR THE YEAR ENDED 31 MARCH 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>TYPE</td>
</tr>
<tr>
<td>--------------------</td>
</tr>
<tr>
<td>Member contributions</td>
</tr>
<tr>
<td>Member voluntary additional contributions</td>
</tr>
<tr>
<td>Employer or other sponsor contributions</td>
</tr>
<tr>
<td>Employer contributions</td>
</tr>
<tr>
<td>Member tax credits</td>
</tr>
<tr>
<td><strong>TOTAL CONTRIBUTIONS</strong></td>
</tr>
</tbody>
</table>
SECTION THREE

CHANGES RELATING TO THE SCHEME

Trust Deed The Scheme’s trust deed was amended on 31 August 2016 for the purpose of complying with the requirements of Financial Markets Conduct Act 2013, and other enactments required by that legislation, together with updates to reflect other legislative and administrative changes affecting the Scheme.

The Statement of Investment Policy and Objectives

Due to the transition of the scheme to the Financial Markets Conduct Act (FMCA) during the year, FMCA terminology is now used throughout, such as replacing references to the trustee with the supervisor and investment options now being referred to as funds. Details of the supervisor’s role and responsibilities were also added. A section on risks was removed as key risks have been summarised in a separate document called Risk Summary available at www.companiesoffice.govt.nz/disclose and benchmark indices updated to reflect index name changes.

Related Party Transactions

There were no changes to the nature or scale of the related party transactions. All related party transactions were conducted on normal commercial terms and conditions during the accounting period and were on arm’s-length terms.

SECTION FOUR

OTHER INFORMATION FOR PARTICULAR TYPES OF MANAGED FUNDS

Explaining Returns

The investment returns for each investment option provided by the Scheme are shown after all investment fees and taxes have been deducted.

There are three sets of investment returns shown for each option for the year covered in this report. This is because different tax rates apply and the one applicable to your returns depends on the tax rate being applied you.

Please go online to www.nzdf.superfacts.co.nz and check that you have the correct tax rate selected for your savings.

You can find updated performance information by visiting www.nzdf.superfacts.co.nz.
WITHDRAWALS

Generally, your savings are locked in until you leave the NZDF. You can then access your savings or keep them in the Scheme. Category B members' funds must remain in the complying section of the Scheme or be transferred to a KiwiSaver scheme. There are some circumstances where members can withdraw their money earlier. These are:

- **Purchase of a first home**: You may be able to withdraw some of your savings to put towards buying your first home. You may also be able to purchase a home if you owned a property before.
- **Significant financial hardship**: You may be allowed to make a withdrawal from your account if the supervisor is satisfied that you are or are likely to suffer financial hardship.
- **Serious Illness**: If you are suffering a serious injury, illness or disability, you may be able to make a withdrawal from your account.

Please note that there are a number of conditions that apply to each of the types of withdrawals discussed above.

HOW YOUR INVESTMENT EARNINGS ARE WORKED OUT

Contributions made to the Defence Force Superannuation Scheme are used to purchase what are known as ‘units’ in your chosen investment option(s). The number of units that your money purchases depends on the unit price at the time of purchase. For example, if $1,000 is contributed and the unit price is $1.00 at that time, then 1,000 units would be purchased on your behalf.

Unit prices are calculated daily and fluctuate according to the investment performance of each investment option. The value of your investment at any time is simply the number of units you own multiplied by their price at that time.

Your latest member annual statement shows how many units you have, their price and your savings balance. You can also view unit prices by signing into your account at www.nzdf.superfacts.co.nz at any time.

Need help?
Milestone Direct advisers can help you choose the right investment option for your circumstances. Please contact Milestone Direct on 0508 MILESTONE (0508 645 378) or email them at info@milestonedirect.co.nz.

<table>
<thead>
<tr>
<th>Funds</th>
<th>1 April 2016*</th>
<th>31 March 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>28% PIR</td>
<td>17.5% PIR</td>
</tr>
<tr>
<td>Shares</td>
<td>1.0187</td>
<td>1.0232</td>
</tr>
<tr>
<td>High Growth</td>
<td>1.0181</td>
<td>1.0203</td>
</tr>
<tr>
<td>Growth</td>
<td>1.012</td>
<td>1.0156</td>
</tr>
<tr>
<td>Balanced</td>
<td>1.0285</td>
<td>1.0327</td>
</tr>
<tr>
<td>Moderate</td>
<td>1.0176</td>
<td>1.0129</td>
</tr>
<tr>
<td>Conservative</td>
<td>1.0188</td>
<td>1.0225</td>
</tr>
<tr>
<td>Cash</td>
<td>1.0082</td>
<td>1.0097</td>
</tr>
</tbody>
</table>

*Opening price as at 1 April 2016, is the closing price on 31 March 2016.
FULL WITHDRAWALS FOR THE YEAR ENDED 31 MARCH 2017

<table>
<thead>
<tr>
<th>TYPE</th>
<th>NUMBER OF MEMBERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Death</td>
<td>3</td>
</tr>
<tr>
<td>Serious Illness</td>
<td>2</td>
</tr>
<tr>
<td>Transfer to a KiwiSaver scheme</td>
<td>90</td>
</tr>
<tr>
<td>Permanent emigration</td>
<td>10</td>
</tr>
<tr>
<td>Retirement</td>
<td>18</td>
</tr>
<tr>
<td>Retrenchment</td>
<td>3</td>
</tr>
<tr>
<td>Total and Permanent Disablement</td>
<td>1</td>
</tr>
<tr>
<td>Exit</td>
<td>217</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>344</strong></td>
</tr>
</tbody>
</table>

PARTIAL WITHDRAWALS FOR THE YEAR ENDED 31 MARCH 2017

<table>
<thead>
<tr>
<th>TYPE</th>
<th>NUMBER OF MEMBERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial hardship</td>
<td>12</td>
</tr>
<tr>
<td>First home withdrawal</td>
<td>114</td>
</tr>
<tr>
<td>Partial transfer to a KiwiSaver scheme</td>
<td>16</td>
</tr>
<tr>
<td>Matrimonial property</td>
<td>6</td>
</tr>
<tr>
<td>Partial withdrawals</td>
<td>943</td>
</tr>
<tr>
<td>Retirement</td>
<td>2</td>
</tr>
<tr>
<td>Serious illness</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1,093</strong></td>
</tr>
</tbody>
</table>

Additional complying superannuation fund disclosures for the Category B section of the Scheme as at 31 March 2017:

- the market value of the DFSS’s assets subject to complying fund rules is $37,613,981.43 relating to 1,282 members; and
- the value of withdrawals subject to complying fund rules totals $7,334,934.54.

SUPERVISOR’S ANNUAL STATEMENT

As the supervisor of the Defence Force Superannuation Scheme, we confirm that for the period ended 31 March 2017:

- all contributions required to be made to the scheme were made in accordance with the terms of the governing documents.

Trustees Executors Limited
31 July 2017
SECTION SIX

HOW TO FIND FURTHER INFORMATION

Information relating to the Defence Force Superannuation Scheme, for the offer register and the scheme register can be found at [www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose).

The scheme register includes the financial statements, the governing document and the statement of investment policy and objectives.

The offer register includes fund updates.

Information relating to the scheme, such as fund updates, the annual report, the current product disclosure statement and other useful information is available at [www.nzdf.superfacts.co.nz](http://www.nzdf.superfacts.co.nz).

You can also call the manager on 0800 333 787 to request this information. All the information can be obtained from the manager without charge.

SECTION FIVE

CHANGES TO PERSONS INVOLVED IN THE SCHEME

There were no changes to the manager, the supervisor, administration manager, investment manager, custodian, securities registrar or auditor of the Scheme.

There were no changes to the key personnel or the directors of the manager.

**Supervisor appointed:** Trustees Executors Limited was appointed as the supervisor of the Scheme on 1 December 2016.

There was a change to the directors of the supervisor. Peter Metz “stepped down” (resigned) as director on 6 May 2016 and Paul Hocking ‘stepped down’ (resigned) as a director on 7 December 2016.
SECTION SEVEN

CONTACT DETAILS AND COMPLAINTS

Contact details for the Manager:
Mercer (N.Z.) Limited
151 Queen Street
PO Box 105591
Auckland 1143
Telephone: 0800 333 787

Supervisor’s contact details:
Trustees Executors Limited
Level 7, 51 Shortland Street
PO Box 4197
Auckland 1140
Telephone: 0800 809 962

Inquiries
Privacy Officer’s contact details:
Mercer (N.Z.) Limited
Attn: Privacy Officer
151 Queen Street
PO Box 105591
Auckland 1143
Telephone: 0800 333 787

Please direct any complaints about your investment to Mercer at:

Mercer (N.Z.) Limited
151 Queen Street
PO Box 105591
Auckland 1143
Attn: Inquiries and Privacy Officer
Telephone: 0800 333 787
Email: NZ.Privacy@mercer.com

If we are unable to resolve your complaint, you may choose to contact the supervisor at:

Trustees Executors Limited
Level 7, 51 Shortland Street
PO Box 4197
Auckland 1140
Attn: Client Services Manager - Governance & Investor Oversight
Telephone: 09 308 7100

Mercer is a member of the Insurance and Financial Services Ombudsman Scheme (IFSO) and the supervisor is a member of Financial Services Complaints Limited (FSCL), both of which are approved dispute resolution schemes. The IFSO and FSCL will not charge a fee to any complainant to investigate or resolve a complaint.

If you make a complaint to us and the complaint cannot be resolved, then you may refer it to the IFSO, subject to certain conditions being met.

You can contact:
IFSO
PO Box 10-845
Wellington 6143
0800 888 202

FSCL
PO Box 5967
Wellington 6145
0800 347 257

Connect
Help is just a click or a call away, we would love to hear from you.

PHONE
0800 333 787

We are here between 9am and 7pm, Monday to Friday or leave us a message and we’ll call you back.

EMAIL
nzdf@mercer.com

POST
Defence Force Superannuation Scheme
PO Box 1849
Wellington, 6140
Disclaimer
Mercer (N.Z.) Limited is the manager of the Defence Force Superannuation Scheme and the issuer of this annual report. This annual report has been prepared by the Manager to meet its legislative obligations under the Financial Markets Conduct Regulations 2014. The information contained in this annual report is of a general nature only and does not take into account the personal objectives, financial situation or financial goals of individual members. Accordingly, before making any decisions, you should consider the information in light of your own objectives, financial situation and needs. It is also recommended that you obtain advice from an authorised financial adviser. You should be aware that the value of an investment in the Defence Force Superannuation Scheme may rise and fall from time to time. Neither Mercer, nor Trustees Executors Limited, New Zealand Defence Force, Milestone Direct Limited, MMC Inc. nor any member of the worldwide Marsh and McLennan Group of Companies guarantees the investment performance, earnings or return of capital invested in any of the Defence Force Superannuation Scheme investment options. The investment returns shown in this annual report do not take into account the unique characteristics that apply to each member (such as timing of cashflow). As a result, the actual returns applying to a particular member are different from the investment returns shown. You should also remember that past performance should not be relied upon as an indicator of future performance.