



## Into the woods

Markets have experienced a rollercoaster ride in recent months as investors assess the impact of COVID-19. Share prices around the world fell sharply in February and March, ending the longest bull market in history. A strong rally in April and May saw prices of investments in many asset classes regain much of their losses. Many scheme members reacted to the dramatic fall in returns by switching to investment funds with less or no exposure to shares. At the time of writing, this has led to very different outcomes.

Let's look at a couple of examples. Say you had \$100,000 invested in the Balanced option at the end of February when markets first started falling after their peak earlier that month. At the low point in March, the investment would have dropped in value to around \$85,350. If you had switched to Cash Plus at that point, your investment would be worth about the same by the end of May. If you decided to stay the course, the value of your investment would have risen back to around \$96,700 over the same period.<sup>1</sup>

No one knows what's around the corner. Only time will tell which choice was the more financially advantageous over the long term, and it's fair to say we're not out of the woods with the current downturn as governments around the world grapple with the twin challenges of a health crisis and the resulting economic crisis. That said, markets tend to recover their upward path eventually. Understandably, our instinct is often to 'do something' when events take a turn for the worse, but sometimes, doing nothing is the best course of action. The key question is how long you have to invest and whether you have time to ride out the highs and lows that inevitably come with investments in growth assets like shares.

Given recent events, it might be a good time to start thinking about your investment personality – what level of risk you are truly comfortable with – and use our Risk Profiler to work out whether you're in the right investment option for your investment timeframe. It might help identify that a change in strategy is appropriate at some point in the future. It might also help you reassure yourself that your current strategy is the right one.

<sup>1</sup> Examples based on unit prices at 29 February, 21 March and 30 May 2020. No allowance has been made for further contributions during that period.

### [View the Risk Profiler](#)

#### Switching investment options takes time

If you do decide to change investment options, it's important to know that the change doesn't happen the moment you submit your request online. Your savings remain invested in the fund or funds you have chosen until your request is processed. This could take a number of days. At the very least, we have to wait until the next unit prices are available. The unit prices for any given business day are not received until the end of the following business day.

## PSS performance against peers

While long-term returns (10 years) for PSS stack up reasonably well against KiwiSaver schemes, PSS returns lag behind the average for this peer group over the shorter term. Manager performance has played a part, but the principal reason is that we have elected to follow a different investment strategy. While most KiwiSaver schemes have a greater proportion of assets invested in New Zealand shares, we have focused on a more diversified and global portfolio. This helps us reduce risk by spreading funds over a much wider range of investments. If we were to concentrate on the New Zealand market, you can imagine the impact a localised event such as an outbreak of foot and mouth disease would have on returns. Nevertheless, this approach has seen our returns fall behind our KiwiSaver counterparts in recent years.

[Read more](#)



## Annual report, fund updates and financial statements now available

As you know, we've changed the financial year end for the scheme to 31 March. As part of the transition, we're reporting on a nine-month period to 31 March 2020. There is a range of information about this reporting period available online. This includes the 2020 annual report and a fund update for each investment option, including for Super Steps at representative ages of 49 and 59. These documents are available on the [Disclose Register](#) and on our website along with other detailed information including the full financial statements and auditor's report. Please call the helpline if you would like a hard copy of any of these documents. Our website also includes an investment review for the reporting period provided by our investment manager.

[View annual report, fund updates and financial statements](#)

[Read Mercer's investment review](#)

## We may be able to help if things are tight financially

The economic impact of COVID-19 is just starting to bite for many families. Talk to us if you're under financial pressure as a direct result of COVID-19 – for example, if you're having difficulty meeting basic living expenses as a result of your partner losing their job. As well as the partial withdrawal facility, we provide a significant financial hardship benefit as an avenue of last resort.

[More about significant financial hardship withdrawals](#)

## Constable Matthew Hunt

Our hearts go out to the family, friends and colleagues of Constable Matthew Hunt. Our thoughts are with all members as you come to terms with the loss of one of your own under the most tragic circumstances. We're also thinking at this time of Matthew's injured colleague and the member of the public caught up in this terrible event. We extend our deepest sympathies at this difficult time.

## A note of thanks

At the beginning of 2020, none of us could have imagined the incredible social and economic upheaval caused by the spread of COVID-19 or the need to endure weeks of lockdown conditions. We're aware that this has been a stressful time, particularly for frontline workers and their families. We would like to acknowledge the ongoing efforts of all Police staff to keep New Zealanders safe during this extraordinary time. **Noho ora mai.**

## Make sure we have your IRD number on file

Inland Revenue now requires us to hold IRD numbers for all members. There is a handful of retained and Police employee members who haven't yet provided us with theirs. We included a note for these members in the account statement we sent out in May. If you didn't get around to responding, please email [psscheme@mercer.com](mailto:psscheme@mercer.com) with your IRD number. Make sure you include your full name and membership number.

## Latest returns

Unit prices are updated on the website each business day. Each month, we also post returns based on the change in unit prices over a given period expressed as a percentage. This provides another way for you to follow the performance of your investment. Our investment manager Mercer prepares regular market updates, which we post on the website each month under 'Latest returns'.

See the [latest returns](#)

View the [May update](#)



## Got a question?

[policiesuper.co.nz](http://policiesuper.co.nz)

You'll find plenty of information about the PSS and your membership online. Our website is optimised for mobile phones and tablets and has lots of features to help you manage your super.

**0800 PSSSCHEME (0800 777 243)**

The helpline hours are 9.00am to 7.00pm, Monday to Friday (except public holidays).