

Independent investment review

Late last year, in conjunction with the Police Association, we engaged investment consultant Melville Jessup Weaver (MJW) to conduct an independent review into the scheme's investment governance, processes and performance. This followed a remit to the Police Association AGM expressing concerns about the scheme's investment performance compared to KiwiSaver schemes. In its report, MJW concluded that the trustee has operated appropriately and the scheme has been transparent in its communication with members about relative peer performance. However, it notes that the scheme's balanced option, which is split 50/50 between growth and income assets, is more conservative than comparable funds. In addition, it finds that the scheme's investments in commodities and a fund of hedge funds has contributed to the scheme's relative underperformance over the medium term.

[Read MJW's report](#)

Strategic asset allocation changes address review findings

Mid-last year, we announced our intention to review our strategic asset allocation. Since then, we have been working with our investment consultant Russell Investments modelling a range of scenarios. We are heartened that the result of this work is broadly in line with MJW's recommendations. This includes moving to a 60/40 split for Balanced and removing the fund of hedge funds from the portfolio in favour of a higher weighting in global and New Zealand equities. However, we have elected to retain some exposure to commodities, which helps diversify the portfolio. Our modelling shows this asset class has the potential to reduce volatility for only a very slight reduction in expected returns over equities. We are aiming to have the asset allocation changes take effect from August 2021. We will write to you before then to provide more detail. At that time, we will also let you know how to adjust your investment strategy if you are currently invested in Balanced and wish to keep your risk/return profile as it is.

Focus groups provide useful feedback

The report from the focus groups conducted earlier this year makes interesting reading with a range of insights and some useful suggestions. We are pleased that we have already been able to address some feedback. For example, frustrations with the old member site have largely been attended to with the new online portal launched in May. We also have a high-growth investment option ready to go (see next story). There is, however, still work to do, and we will consider all the ideas put forward. In addition, NielsenIQ's report will inform the questions we put to our full membership in our triennial survey later this year.

[Read NielsenIQ's report](#)

New higher-risk/higher-return investment option

One of the suggestions made at the focus groups was the option of a high-growth fund for members who are prepared to tolerate higher volatility in returns in exchange for higher long-term expected returns. This is something that we've been working on and have decided to introduce later this year. The new option called High Growth will comprise 95% growth assets with a small allocation to cash for liquidity management purposes only. The allocation to cash will allow us to rebalance as members contribute and withdraw funds without incurring costs associated with frequent trading. Again, we will provide more details about this option before it is introduced.

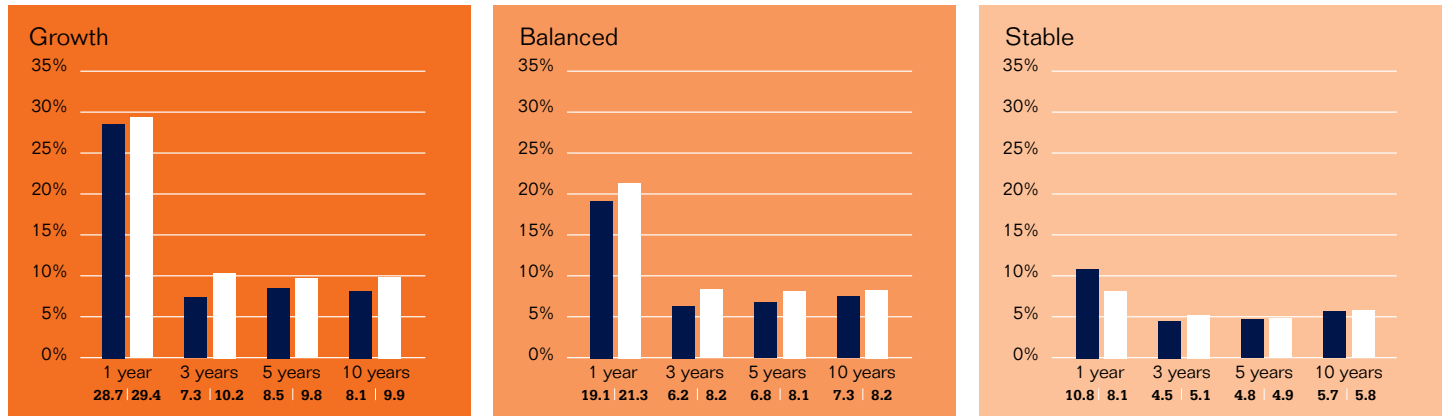
Annual report, fund updates and financial statements

The 2021 annual report, financial statements and fund updates for each of our investment options will be available on our website and at www.disclose-register.companiesoffice.govt.nz on 25 June. You are also entitled to receive a hard copy any of these documents free of charge. Call the helpline, and we'll send them to you.

Strong returns across the board

Like most KiwiSaver funds, our share-based options performed particularly strongly over the year to 31 March 2021. These graphs compare returns from our three main funds with comparable funds in the Morningstar KiwiSaver Report. Morningstar is an independent company that monitors KiwiSaver fund performance.

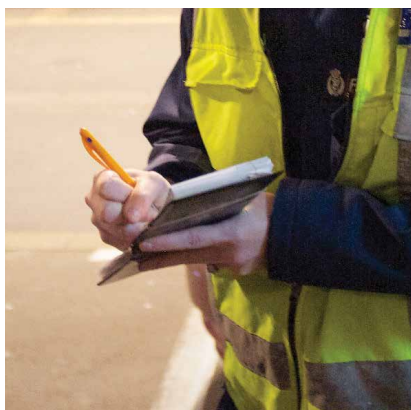
PSS vs KiwiSaver investment returns Periods ended 31 March 2021 (after fees and before tax)



■ PSS returns for periods to 31 March 2021

□ Average from Morningstar KiwiSaver Survey March Quarter 2021

[Read Mercer's 2021 investment commentary](#)



Got a question?

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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 PSSHEME (0800 777 243)

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