

POLICE SUPERANNUATION SCHEME

Financial Statements

For the Year Ended 31 March 2023

POLICE SUPERANNUATION SCHEME

Financial Statements

For the Year Ended 31 March 2023

INDEX

Statement of net assets available for benefits	Page 2
Statement of changes in net assets available for benefits	Page 3
Statement of cash flows	Page 4
Notes to the financial statements	Page 5
Independent auditor's report	Page 14

POLICE SUPERANNUATION SCHEME
Statement of net assets available for benefits
As at 31 March 2023

	Note	31-Mar-23 \$	31-Mar-22 \$
ASSETS			
Cash and cash equivalents		11,409,073	8,736,950
Financial Assets at Fair Value Through Profit or Loss	6	2,357,836,772	2,462,528,754
PIE tax receivable		14,848,712	-
Total assets		2,384,094,557	2,471,265,704
Less liabilities			
Benefits payable		244,222	1,670,069
Sundry creditors		328,291	345,477
PIE tax payable		-	19,890,617
Total liabilities		572,513	21,906,163
Net assets available for benefits		2,383,522,044	2,449,359,541
Liability for promised benefits			
<i>Represented by:</i>			
Member accounts	4	712,384,852	723,773,280
Employer accounts	4	1,670,500,056	1,724,915,719
Reserve accounts	9	627,375	663,316
Unallocated contributions		9,761	7,226
		2,383,522,044	2,449,359,541

For and on behalf of the Trustee, PSS Trustees Limited, who authorised the issue of these financial statements.

Director 

Date 21 June 2023

Director 

Date 21 June 2023

POLICE SUPERANNUATION SCHEME
Statement of changes in net assets available for benefits
For the Year Ended 31 March 2023

	Note	31-Mar-23 \$	31-Mar-22 \$
Investment activities			
Investment income			
(Losses)/Gains on financial assets at fair value through profit or loss:	7	(82,679,560)	80,934,238
Interest		<u>345,602</u>	<u>50,587</u>
		(82,333,958)	80,984,825
Investment expenses			
Investment management fees		<u>(10,192,073)</u>	<u>(12,250,244)</u>
Net investment income		(92,526,031)	68,734,581
Other expenses			
Administration fees		918,243	852,874
Investment consultancy fees		272,798	277,748
Auditor's remuneration - for audit of financial statements		32,373	28,750
Auditor's remuneration - taxation service fees		3,979	5,089
Secretarial fees		127,619	119,801
Member communications		123,822	238,133
Legal fees		73,225	59,545
Trustee's remuneration and expenses	14	303,698	276,524
Financial Markets Authority levies		290,044	232,712
Other expenses		<u>355</u>	<u>1,050</u>
Total other expenses		2,146,156	2,092,226
Change in net assets before membership activities		<u>(94,672,187)</u>	<u>66,642,355</u>
Membership activities			
Contributions			
Member contributions		73,720,866	66,412,678
Voluntary member contributions		4,059,101	3,716,303
Employer contributions		102,482,351	91,578,941
Unallocated Contributions		<u>9,761</u>	<u>7,226</u>
Total contributions		180,272,079	161,715,148
Benefits paid			
Retirement		33,255,049	24,616,805
Withdrawals		58,144,653	56,034,044
In-service access		52,582,523	42,251,858
In-service termination		2,930,920	2,215,230
First home		13,486,563	19,741,182
Medical disengagement		1,680,614	1,032,502
Death and permanent incapacity		1,546,463	4,684,793
Hardship		<u>3,271,363</u>	<u>2,756,929</u>
Total benefits paid		166,898,148	153,333,343
Portfolio investment entity tax (credit)/expense		<u>(15,460,759)</u>	<u>20,253,656</u>
Net membership activities		28,834,690	(11,871,851)
Net (decrease)/increase in net assets during the period		(65,837,497)	54,770,504
Net assets available for benefits at beginning of period		<u>2,449,359,541</u>	<u>2,394,589,037</u>
Net assets available for benefits at end of period		<u>2,383,522,044</u>	<u>2,449,359,541</u>

This statement is to be read in conjunction with the notes on pages 5 to 13.

POLICE SUPERANNUATION SCHEME
Statement of cash flows
For the Year Ended 31 March 2023

	Note	31-Mar-23 \$	31-Mar-22 \$
Cash flows from operating activities			
Cash provided from			
Member contributions		77,779,967	70,129,702
Employer contributions		102,482,351	91,579,921
Unallocated contributions		9,761	5,524
Interest		345,602	50,587
PIE tax refund		612,047	-
Benefit repayments		-	1,500
		<u>181,229,728</u>	<u>161,767,234</u>
Cash applied to			
Benefits paid		168,323,995	153,761,871
Administration fees		912,743	852,230
Investment consultancy fees		334,090	282,156
Auditor's remuneration - audit of financial statements		28,750	13,225
Auditor's remuneration - taxation service fees		6,164	11,869
Secretarial fees		126,811	119,202
Member communications		131,038	232,697
Legal fees		65,802	62,140
Trustee's remuneration and expenses		304,870	280,255
Financial markets authority		249,794	221,212
Other expenses		354	1,048
Benefit repayments		1,500	-
PIE tax payment		19,890,617	45,244,614
		<u>190,376,528</u>	<u>201,082,519</u>
Net cash flows from operating activities	8	<u>(9,146,800)</u>	<u>(39,315,285)</u>
Cash flows from investing activities			
Cash provided from			
Sale of investments		105,688,766	130,321,192
Cash applied to			
Purchase of investments		93,869,843	102,143,989
Net cash flows utilised by investing activities		<u>11,818,923</u>	<u>28,177,203</u>
Net increase/(decrease) in cash held		2,672,123	(11,138,082)
Cash at beginning of the period		8,736,950	19,875,032
Cash at end of the period		<u>11,409,073</u>	<u>8,736,950</u>

This statement is to be read in conjunction with the notes on pages 5 to 13.

POLICE SUPERANNUATION SCHEME
Notes to the financial statements
For the Year Ended 31 March 2023

1. Scheme description

The Police Superannuation Scheme (the scheme) is a defined contribution restricted workplace savings scheme registered in New Zealand under the Financial Markets Conduct Act 2013 to provide retirement benefits to the salaried employees of New Zealand Police (the employer).

The registered office is Mercer (N.Z.) Limited, PO Box 1849, Wellington 6140.

The Trustee of the scheme is PSS Trustees Limited. The directors of PSS Trustees Limited are Ian Russon (Licensed Independent Trustee ('LIT') up to 30 June 2022 and Chair from 1 July 2022), Graham Ansell, Greg Fleming, Sarah Graydon (LIT from 1 July 2022), Sandra Venables, Grant Hassell (appointed on 22 August 2022) and Charlie Cahn (retired on 30 June 2022).

The custodian of the scheme's financial assets is BNP Paribas Fund Services Australasia Pty Limited.

The administrator of the scheme is Mercer (N.Z.) Limited.

Details of membership as at 31 March 2023 were:

31 March 2022	11,518
New Members	857
Death and Total and Permanent Disablement	(14)
Retirement	(103)
Leaving Service	(385)
Medical Disengagement	(5)
In-service Termination	(24)
31 March 2023	11,844

Funding arrangements

In 2023 the employer contributed to the scheme at rates of up to 15.2% (2022: 15.2%) (before deduction of withholding tax) of the salaries of those employees who were members of the scheme. Employees contributed to the scheme during 2023 at rates of up to 7.5% (2022: 7.5%) of gross salary, excluding any additional voluntary contributions.

There are three classes of members: retained members, standard sworn entrants and optional or special entrants.

Retirement benefits

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

Termination terms

The trust deed sets out the basis on which the scheme can be terminated.

Changes in the scheme

There were no changes in the scheme during the year

2. Basis of preparation

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

The scheme has adopted External Reporting Board Standard A1 Accounting Standards Framework (For-profit Entities Update) (XRB A1). XRB A1 establishes a for-profit tier structure and outlines which suite of accounting standards entities in different tiers must follow. The scheme is a Tier 1 entity as it is publicly accountable.

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 and also 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 that are measured at fair values at balance date.

POLICE SUPERANNUATION SCHEME
Notes to the financial statements
For the Year Ended 31 March 2023

2. Basis of preparation (Continued)

Presentation currency

These financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the scheme operates.

Classification of assets and liabilities

The scheme operates as a retirement savings scheme. As such, the assets and liabilities are disclosed in the statement of net assets available for benefits in an order that reflects their relative liquidity.

3. Summary of significant accounting policies

The following are the significant accounting policies that have been adopted in the preparation of the financial statements.

Financial assets at fair value through profit or loss

The scheme classifies its investments as designated at fair value through profit or loss. The financial assets are recognised and derecognised on the trade date where a purchase or sale is under contract whose terms require delivery within the timeframe established by the market concerned, initially measured at fair value. Subsequent to initial recognition, all financial assets through profit or loss are measured at fair value.

Gains or losses arising from changes in fair value of the financial assets through profit or loss category are presented in the statement of changes in net assets available for benefits when they arise. Interest and dividends related to financial assets at fair value through profit or loss are recognised as part of the gains and losses presented in the statement of changes in net assets available for benefits.

The fair value of financial assets is determined using the last sale price (exit price) as calculated by the fund manager at balance date.

Income recognition

(i) Interest income is recognised as interest accrues using the effective interest rate method. Interest income is earned on cash and cash equivalents.

(ii) Gains or losses on financial assets at fair value through profit or loss are recognised in the statement of changes in net assets available for benefits as disclosed above.

(iii) Dividends and distributions from unitised investments are recognised on a due and receivable basis.

Foreign currencies

Transactions in currencies other than New Zealand dollars are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance date, assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on balance date. Gains and losses arising on translation are included in changes in net assets for the period.

Expenses

All expenses are accounted for on an accruals basis.

Taxation

The scheme qualifies as a portfolio investment entity (PIE) and has elected to be treated as a PIE for tax purposes from 1 July 2019.

Under the PIE regime, the manager attributes the taxable income of the scheme to members in accordance with their proportionate interest in the scheme. The income attributed to each member is taxed at the member's prescribed investor rate (PIR), which is currently capped at 28%. The manager accounts for tax on behalf of natural persons and certain other members and adjusts the members' interests in the scheme to reflect that tax is paid at varying rates on behalf of the members. There is a unit price for each fund and for each tax rate.

As the legislation regarding the taxation of PIEs provides that the scheme pays tax on behalf of its members, the PIE taxation expense/(credit) disclosed in the statement of changes in net assets available for benefits is the expense attributable to members and is measured based on tax rates applicable to those members.

The tax amounts in the statement of net assets available for benefits represent the remaining tax payable/(receivable) by the scheme on behalf of the members under the PIE regime to 31 March each year.

POLICE SUPERANNUATION SCHEME
Notes to the financial statements
For the Year Ended 31 March 2023

3. Summary of significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the statement of changes in net assets available for benefits when the scheme becomes a party to the contractual provisions of the instrument. The scheme shall offset financial assets and financial liabilities if the scheme has a legally enforceable right to set off the recognised amounts and interest and intends to settle on a net basis.

Derivative financial instruments

The scheme's activities expose it primarily to the financial risks of changes in foreign currency rates and interest rates. The scheme may use foreign exchange forward contracts and interest rate swap contracts to hedge these exposures. The scheme does not use derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the scheme's policies approved by the trustee, which provide written principles on the use of financial derivatives.

Changes in the fair value of derivative financial instruments are recognised in the statement of changes in net assets available for benefits as they arise.

Sundry creditors

Sundry creditors are not interest-bearing and are stated at their amortised cost.

Goods and services tax (GST)

The scheme 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 scheme do not include those of the investment managers. 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 and overseas.

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 benefits

The liability for promised benefits is the scheme'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 member accounts and reserves.

Contributions and benefits

Contributions and benefits are accounted for on an accruals basis.

Under the unitised mode in which the scheme operates, there are inherent timing differences between the banking of contributions and the application of those contributions to member accounts. Unallocated contributions are disclosed separately in the statement of net assets available for benefits and the statement of changes in net assets available for benefits.

Application of accounting standards

(a) New and amended standards adopted by the scheme:

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 April 2022 that have a material effect on the financial statements of the scheme.

(b) New standards, amendments and interpretations not yet adopted:

There are no other standards, amendments or interpretations that have been issued but are not yet effective that are expected to materially impact the scheme's financial statements.

POLICE SUPERANNUATION SCHEME
Notes to the financial statements
For the Year Ended 31 March 2023

4. Liability for promised benefits

Changes in promised benefits as at 31 March 2023:

	Member Account	Employer Account	Unallocated Contributions	No 1 Reserve Account	No 2 Reserve Account	Total 2022
	\$	\$	\$	\$	\$	\$
Balance 1 April	723,773,280	1,724,915,719	7,226	486,780	176,536	2,449,359,541
Contributions	77,783,580	102,485,964	2,535	-	-	180,272,079
Withdrawals	(65,522,600)	(101,375,548)	-	-	-	(166,898,148)
Allocations/ (Deductions)	4,517,558	9,859,264	-	4,077	1,479	14,382,378
Income Allocated	(28,166,966)	(65,385,343)	-	(30,453)	(11,044)	(93,593,806)
Balance 31 March	712,384,852	1,670,500,056	9,761	460,404	166,971	2,383,522,044

Changes in promised benefits as at 31 March 2022:

	Member Account	Employer Account	Unallocated Contributions	No 1 Reserve Account	No 2 Reserve Account	Total 2022
	\$	\$	\$	\$	\$	\$
Balance 1 April	698,584,683	1,695,298,115	406	517,982	187,851	2,394,589,037
Contributions	70,129,387	91,578,941	6,820	-	-	161,715,148
Withdrawals	(59,417,872)	(93,915,471)	-	-	-	(153,333,343)
(Deductions)/ Allocations	(6,256,472)	(15,030,208)	-	(41,959)	(15,217)	(21,343,856)
Income Allocated	20,733,554	46,984,342	-	10,757	3,902	67,732,555
Balance 31 March	723,773,280	1,724,915,719	7,226	486,780	176,536	2,449,359,541

Guaranteed Benefits

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

5. 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 scheme at balance date.

2023

\$

2,382,884,908

2022

\$

2,448,688,999

POLICE SUPERANNUATION SCHEME
Notes to the financial statements
For the Year Ended 31 March 2023

6. Financial assets	31-Mar-23	31-Mar-22
	\$	\$
<i>Mercer Investment Trusts New Zealand</i>		
Cash Plus	106,545,591	93,532,990
Stable	312,780,865	338,605,529
Balanced	1,030,068,432	1,107,787,060
Growth	870,531,676	898,425,248
High Growth	37,910,208	24,177,927
Total financial assets	<u>2,357,836,772</u>	<u>2,462,528,754</u>

7. (Losses)/Gains on financial assets at fair value through profit or loss	31-Mar-23	31-Mar-22
	\$	\$
<i>Mercer Investment Trusts New Zealand</i>		
Cash Plus	2,461,567	1,281,517
Stable	(5,131,856)	(966,323)
Balanced	(42,562,262)	31,566,407
Growth	(37,280,263)	50,358,334
High Growth	(166,746)	(1,305,697)
Total (losses)/gains on financial assets at fair value through profit or loss	<u>(82,679,560)</u>	<u>80,934,238</u>

The net (losses)/gains on items of fair value through profit or loss do not include interest or dividend income. These are disclosed separately on the face of the financial statements.

8. Reconciliation of (decrease)/increase in net assets to net cash flows from operating activities	31-Mar-23	31-Mar-22
	\$	\$
(Decrease)/Increase in net assets	(65,837,497)	54,770,504
Non-cash items		
Losses/(Gains) on fair value through profit or loss	82,679,560	(80,934,238)
Investment management fees deducted as units from the scheme	10,193,499	12,249,474
Movements in other working capital items		
(Increase)/Decrease in PIE tax refundable	(14,848,712)	-
(Decrease) in PIE tax payable	(19,890,617)	(24,990,958)
(Decrease) in benefits payable	(1,425,847)	(428,528)
(Decrease)/Increase in sundry creditors	(17,186)	18,461
Net cash flows from operating activities	<u>(9,146,800)</u>	<u>(39,315,285)</u>

POLICE SUPERANNUATION SCHEME
Notes to the financial statements
For the Year Ended 31 March 2023

9. Reserve account

Pursuant to the trust deed, the trustee has established a reserve account for standard sworn entrants and special entrants and optional entrants and savings contributors.

Reserve Account No 1 relates to standard sworn entrants and special entrants (police officers).

Reserve Account No 2 relates to optional entrants and savings contributors (support staff).

The reserve account has been allocated with the earnings from the investments of the scheme held in the reserves, forfeited benefits and any amounts not required for the payment of benefits.

The reserve account may be used at the trustee's discretion and the direction of the Commissioner in meeting any expenses of the scheme, meeting employer contributions to the scheme, providing benefits (other than retirement benefits), increasing member and employer accounts on an equitable basis, in respect of forfeited benefits (as a consequence of a member's bankruptcy) for the member's (or the member's dependents) benefit in the case of hardship, in payment of any insurance premiums and in such other manner as the trustee may from time to time consider appropriate.

10. Financial instruments

The scheme 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 that establishes investment portfolio objectives and target asset allocations. Performance against these targets is reviewed at least quarterly by the trustee, and asset reallocations are 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 scheme's accounting policy in relation to financial assets held at fair value through profit or loss.

Categories of financial instruments – 31 March 2023

Financial assets	Fair value through profit or loss \$	Financial assets at amortised cost \$	Financial liabilities at amortised cost \$	Total \$
Cash and cash equivalents	-	11,409,073	-	11,409,073
<i>Mercer Investment Trusts New Zealand</i>				
Cash Plus	106,545,591	-	-	106,545,591
Stable	312,780,865	-	-	312,780,865
Balanced	1,030,068,432	-	-	1,030,068,432
Growth	870,531,676	-	-	870,531,676
High Growth	37,910,208	-	-	37,910,208
Total financial assets	2,357,836,772	11,409,073	-	2,369,245,845
Financial liabilities				
Benefits payable	-	-	244,222	244,222
Sundry creditors	-	-	328,291	328,291
Total financial liabilities	-	-	572,513	572,513

POLICE SUPERANNUATION SCHEME

Notes to the financial statements

For the Year Ended 31 March 2023

10. Financial instruments (continued)

Categories of financial instruments – 31 March 2022

Financial assets	Fair value	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
	through profit or loss			
	\$	\$	\$	\$
Cash and cash equivalents	-	8,736,950	-	8,736,950
<i>Mercer Investment Trusts New Zealand</i>				
Cash Plus	93,532,990	-	-	93,532,990
Stable	338,605,529	-	-	338,605,529
Balanced	1,107,787,060	-	-	1,107,787,060
Growth	898,425,248	-	-	898,425,248
High Growth	24,177,927	-	-	24,177,927
Total financial assets	2,462,528,754	8,736,950	-	2,471,265,704
Financial liabilities				
Benefits payable	-	-	1,670,069	1,670,069
Sundry creditors	-	-	345,477	345,477
Total financial liabilities	-	-	2,015,546	2,015,546

Hierarchy of fair value measurements

The following table provides an analysis of financial instruments that are measured subsequent to initial value 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).

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).

31 March 2023

Description	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets at fair value through profit or loss				
<i>Mercer Investment Trusts New Zealand</i>				
Cash Plus	-	106,545,591	-	106,545,591
Stable	-	312,780,865	-	312,780,865
Balanced	-	1,030,068,432	-	1,030,068,432
Growth	-	870,531,676	-	870,531,676
High Growth	-	37,910,208	-	37,910,208
Total	-	2,357,836,772	-	2,357,836,772

The financial assets above have been classified as level 2 as they are unit trusts with fair values derived from quoted prices in active markets. There were no transfers between levels in the period.

31 March 2022

Description	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets at fair value through profit or loss				
<i>Mercer Investment Trusts New Zealand</i>				
Cash Plus	-	93,532,990	-	93,532,990
Stable	-	338,605,529	-	338,605,529
Balanced	-	1,107,787,060	-	1,107,787,060
Growth	-	898,425,248	-	898,425,248
High Growth	-	24,177,927	-	24,177,927
Total	-	2,462,528,754	-	2,462,528,754

The financial assets above have been classified as level 2 as they are unit trusts with fair values derived from quoted prices in active markets. There were no transfers between levels in the period.

POLICE SUPERANNUATION SCHEME
Notes to the financial statements
For the Year Ended 31 March 2023

10. Financial instruments (continued)

Liquidity risk

The administrator monitors the scheme's liquidity position on a daily basis. Liquidity management is designed to ensure that the scheme has the ability to generate sufficient cash in a timely manner to meet its financial commitments and normal levels of withdrawals. The administrator regularly monitors market volatility and withdrawal levels to establish the scheme's appropriate liquidity levels within allowable benchmark ranges.

The scheme holds financial assets and liabilities that are highly liquid, and all can be realised within 12 months.

Credit risk

Financial instruments that potentially expose the scheme to credit risk consist of cash, receivables and, indirectly, investments in unitised products that invest in cash and fixed interest investments. The maximum exposure to credit risk is the carrying value of these financial instruments. The significant counterparty of the scheme is its investment manager, Mercer Investments (New Zealand) Limited, which the trustee considers to be a financial institution of high quality. The investments are held in trust by the investment manager for the benefit of the scheme. The manager maintains diversified investment portfolios in accordance with the portfolio mix adopted by the trustee.

Currency risk

The scheme is indirectly exposed to currency risk in that future currency movements will affect the valuation of investments in unitised products that invest in foreign currency denominated investments. The Trustee's policy is to hedge fully the foreign currency exposures arising from all investments with the exception of investments in international equities which are only hedged to 50%. However, it is recognised that this may not always be practicable and a partially hedged position may apply to certain asset classes as agreed by the Trustee and the implementation manager. Below discloses the scheme's currency exposure as at the reporting date:

Cash Plus has 0% foreign currency exposure.

Stable has 7.5% foreign currency exposure through a 15% allocation to the overseas shares composite (50% hedged to NZD). The fund is made up of 40% domestic investments (Australasian equities, New Zealand fixed interest, and New Zealand cash), and 60% foreign investments (overseas fixed interest (100% Hedged to NZD) and the overseas shares composite (50% hedged to NZD)).

Balanced has 18.75% foreign currency exposure through a 37.5% allocation to the overseas shares composite (50% hedged to NZD). The fund is made up of 29% domestic investments (Australasian equities, New Zealand fixed interest, and New Zealand cash), and 71% foreign investments (global listed property, global listed infrastructure and overseas fixed interest (all 100% hedged to NZD) and the overseas shares composite (50% hedged to NZD)).

Growth has 23.75% foreign currency exposure through a 47.5% allocation to the overseas shares composite (50% hedged to NZD). The fund is made up of 29% domestic investments (Australasian equities, New Zealand fixed interest, and New Zealand cash), and 71% foreign investments (global listed property, global listed infrastructure and overseas fixed interest (all 100% hedged to NZD) and the overseas shares composite (50% hedged to NZD)).

High Growth has 35% foreign currency exposure through a 70% allocation to the overseas shares composite (50% hedged to NZD). The fund is made up of 30% domestic investments (Australasian equities and New Zealand cash), and 70% foreign investments (overseas shares composite (50% hedged to NZD)).

Risk management

Risk management activities are undertaken by the scheme's investment manager to operate within the guidelines provided by the trustee.

Net assets available for benefits are considered to be the scheme's capital for the purposes of capital management. The scheme does not have to comply with externally imposed capital requirements. The scheme's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns to its members and to maximise scheme members' value as well as ensuring its net assets available for benefits are sufficient to meet all present and future obligations.

In order to meet its objectives for capital management, the scheme's management review the scheme's performance on a regular basis.

Interest rate risk

The scheme is indirectly exposed to interest rate risk in that future interest rate movements will affect the valuation of investments in unitised products that 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. The intention of the trustee is not necessarily to hold these assets to maturity but to realise and purchase similar assets as part of the ongoing management of the investments of the scheme. There is no maturity period for unitised investments.

An appropriate level of portfolio risk for the scheme will be determined and agreed by the trustee in consultation with professional advisers. Investment risk must be minimised for the expected level of return, and an appropriate level of diversification across securities, sectors, asset classes and countries must be maintained.

POLICE SUPERANNUATION SCHEME
Notes to the financial statements
For the Year Ended 31 March 2023

11. Sensitivity analysis

A 5% movement in the unit prices of the scheme's investments in Mercer Investment Trusts New Zealand would have an impact on the value of the scheme's assets of \$117,891,839 (2022: \$123,126,438).

12. Commitments and contingent liabilities

There were no commitments or contingent liabilities outstanding as at 31 March 2023 (2022: Nil).

13. Key sources of estimation uncertainty

The preparation of the financial statements requires the trustee to make estimates and assumptions that affect the amount reported in the financial statements and accompanying notes. The trustee has also used judgement in the categorisation of its financial assets and liabilities at fair value through profit or loss in accordance with the fair value hierarchy under NZ IFRS 13.

14. Related parties

The scheme holds no investments in any of the employer companies or any of its related parties and during the period had no related party transactions except for employer contributions. During the year, \$303,698 representing the trustee's remuneration and expenses were paid to the directors of the trustee of the scheme (2022: \$276,524).

	31-Mar-23	31-Mar-22
	\$	\$
Trustee's remuneration	212,261	202,116
Trustee's expenses	91,437	74,408
Total	<u>303,698</u>	<u>276,524</u>

15. Events after balance date

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

Independent Auditor's Report

To the Members of Police Superannuation Scheme

Opinion

We have audited the financial statements of Police Superannuation Scheme (the 'Scheme'), which comprise the statement of net assets available for benefits as at 31 March 2023, and the statement of changes in net assets available for benefits and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements, on pages 2 to 13, present fairly, in all material respects, the financial position of the Scheme as at 31 March 2023, and its financial performance and 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').

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). 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.

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

Other than in our capacity as auditor and the provision of taxation advice, we have no relationship with or interests in the Scheme. These services have not impaired our independence as auditor of the Scheme.

Key audit matters

We have determined that there are no key audit matters to communicate in our report.

Other information

The Directors of the Trustee are responsible on behalf of the Scheme for the other information. The other information comprises the information in the Annual Report that accompanies the financial statements and the audit report.

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

Our responsibility is to read the other information and consider whether it is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

Directors of the Trustee's responsibilities for the financial statements

The Trustees are responsible on behalf of the Scheme for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors of 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 Directors of the Trustee are responsible on behalf of the Scheme for assessing the Scheme'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 Directors of the Trustee either intend to liquidate the Scheme or to cease operations, or have 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 and ISAs (NZ) 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 on 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.

Restriction on use

This report is made solely to the Scheme's members, as a body. Our audit has been undertaken so that we might state to the Scheme's members those matters 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 Scheme's members as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

**James Shepherd, Partner
for Deloitte Limited**
Wellington, New Zealand
21 June 2023