



## »»» Statement of Investment Policy and Objectives

Police Superannuation Scheme  
Adopted on 13 November 2023



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# 1 | Introduction

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## 1.1 Purpose

The purpose of this statement of investment policy and objectives (SIPO) is to provide all parties involved in the investment management of the Police Superannuation Scheme (**scheme**) with guidance on how the assets of the scheme are to be managed. It sets out the investment governance and management framework, philosophy, strategies and expectations of the scheme in accordance with the requirements of the Financial Markets Conduct Act 2013 (**FMC Act**).

This SIPO covers:

- roles and responsibilities
  - investment beliefs
  - investment strategy, including strategic asset allocations (**SAAs**)
  - investment expectations
  - implementation
  - risk management
  - review procedures.
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## 1.2 Description

The scheme is registered under the FMC Act as a restricted workplace savings scheme. It is a defined contribution plan designed to help members provide for their long-term financial security. Members are offered a choice of five primary investment options (High Growth, Growth, Balanced, Stable and Cash Plus), which offer a range of risk/return profiles, and Super Steps, which is a 'glide path' option that uses Growth, Balanced and Stable as 'building blocks'. Super Steps is the default option.

The benefit payable when a member leaves the scheme is based on contributions and applied investment returns. Members may switch their account balances and redirect their contributions between the investment options offered at any time.

### Brief summary of scheme benefits

Benefits are based on member and employer contributions plus earnings, net of tax and expenses, applicable to the option(s) in which each member is invested from time to time. On ceasing service, members are entitled to receive the full value of their accounts.

Members have the right to defer receipt of a benefit on leaving service. They are also entitled to withdraw funds while in service in certain circumstances. Hardship benefits are available up to a maximum of the resignation benefit, at the trustee's discretion. Members' benefits in the scheme may also be used as collateral for a loan.

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## 1.3 Effective date

This SIPO is adopted by the trustee with effect from 13 November 2023 and remains effective until the next review date.

## 2 | Roles and responsibilities

The trustee's principal responsibility is to maximise long-term returns while ensuring an appropriate trade-off between return and risk. However, we recognise that our performance relative to peers is also important.

### 2.1 Trustee

The trustee is responsible for the investment of the scheme's assets in accordance with the trust deed, this SIPO and legislative requirements. In satisfying its responsibilities, the trustee may delegate decision making and implementation to other parties.

#### Governance

- Appointing and regularly reviewing all external parties identified in this SIPO and their associated responsibilities, including compliance with any requirements they may have under the FMC Act.
- Reviewing this SIPO on a regular basis.
- Satisfying reporting requirements under the FMC Act.

#### Investments

- Setting and periodically reviewing the scheme's investment beliefs.
- Determining and periodically reviewing the SAAs for each of the primary investment options, having regard to the levels of risk that the trustee considers to be appropriate.
- Determining and periodically reviewing the fundamental strategy (such as active or passive management), benchmarks and foreign currency hedging policy for each asset class.
- Establishing and periodically reviewing the liquidity and risk management policies, including rebalancing ranges.
- Assessing the broad parameters (such as the target excess return and tracking error) and structural features (such as the use of generalists or specialists) proposed by the investment manager for the management of each asset class.
- Determining and periodically reviewing the 'glide path' risk/return profile for Super Steps.
- Establishing criteria for the measurement of the performance of the scheme's assets.
- Reviewing on a regular basis the investment objectives and constraints adopted by the investment manager.
- Monitoring investment results regularly to determine whether the investment manager has performed satisfactorily relative to its objectives.
- Auditing the investment manager's processes and controls to assess whether the scheme's funds are being managed appropriately.
- Establishing and regularly reviewing a comprehensive workplan for assessing the scheme's investment programme.

#### Other

- Contributing to the development of members' financial literacy.

### 2.2 Investment manager

- Proposing appropriate SAA weights and ranges for each of the five primary investment options.
- Implementing and then maintaining the SAA targets for each primary investment option once approved by the trustee.
- Operating a dynamic asset allocation process for four of the five primary investment options within the permitted ranges.
- Offering funds for each applicable asset class consistent with the fundamental strategy, the benchmarks and the foreign currency hedging and derivatives policies determined by the trustee.
- Proposing changes to the broad parameters and structural features that apply to each of the investment options for the trustee's approval.
- Participating in the regular review of this SIPO.
- Appointing the underlying investment managers utilised by the investment options.
- Negotiating the fees and investment mandates within the agreements with underlying investment managers and monitoring these agreements.
- Working with underlying investment managers to address any concerns and seek solutions that will maximise returns.
- Presenting its research on underlying investment managers as applicable.
- Ensuring efficient implementation of any underlying investment manager transitions.

- Undertaking daily unit pricing of the primary investment options.
- Rebalancing the allocations as required.
- Advising on issues affecting the management of the investment options.
- Reporting to the trustee on a monthly and quarterly basis on asset allocation, performance and compliance as well as providing general market commentary.
- Providing fund performance data to external survey providers.
- Advising the trustee and the Financial Markets Authority in accordance with the requirements of the FMC Act and rectifying any breach for which the investment manager has responsibility (for example, limit breaks as defined in the FMC Act).
- Calculating and providing the relevant investment data in respect of the FMC Act requirements relating to the product disclosure statement, annual fund updates and other information posted on the Disclose Register.
- As directed by the trustee, advising on any matters contained in the 'Investments' section of clause 2.1 above.

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### **2.3 Investment consultant**

- As directed by the trustee, advising on any matters contained in the 'Investments' section of clause 2.1 above.
- Advising the trustee of any changes that may affect the way that the scheme's assets are or should reasonably be invested.
- Providing the trustee with advice on other relevant investment issues.
- Participating in the regular review of this SIPO.

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### **2.4 Scheme secretary**

- Communicating the trustee's investment decisions to the relevant parties and following up to ensure action items are completed.
- Acting as a conduit for communication between external parties and the trustee.

## 3 | Investment beliefs

The trustee's investment beliefs underpin the scheme's general investment objectives and the specific investment strategies employed. These investment beliefs represent a set of well-founded and generally accepted investment propositions that provide a sound basis for investment success.

### Governance

Quality governance is paramount and the trustee's primary role. A well-defined governance structure that utilises suitably qualified resources with clear accountabilities will improve the scheme's effectiveness in managing risk and ultimately provide value to members.

### Investment strategies

Membership characteristics should guide the investment strategies. In formulating the scheme's investment strategies, the trustee needs to be mindful that individual members have different wishes, needs, risk tolerances and levels of understanding in financial matters. Accordingly, and subject to maintaining costs at a reasonable level, the scheme should offer a number of distinctive choices, including an age-dependent default option, designed to meet well-defined investment objectives.

### Asset allocation

Asset allocation is the primary driver of long-term returns. A disciplined strategic approach that encompasses quantitative analysis and qualitative judgement is required for success. Currency exposures impact risk and return and need to be considered as part of SAA.

### Risk

There is reward for risk. Investors are generally compensated for accepting risk or increased volatility of returns by higher returns over an appropriate timeframe.

### Diversification

Diversification both between and within asset classes should improve the portfolio's risk/return characteristics. However, there is a point at which the costs of further diversification outweigh the associated benefits.

### Active management

Markets are typically highly efficient but this varies from asset class to asset class and over time. There are times when active management can therefore add value (after allowing for the associated additional costs) providing suitable managers can be selected.

### Liquidity

Returns can be enhanced through investing in illiquid assets, but such investments must be considered in light of the associated risks.

### Execution

Efficient implementation can improve performance. Fees, taxes and other costs and inefficient transitions all contribute to return leakage.

### Responsible investment

The integration of environmental, social and governance factors into investment decision making helps to identify opportunities and risks, resulting in better financial outcomes.



## 4 | Investment strategy

The trustee sets the investment strategy based on the investment beliefs set out in section 3, including advice from the investment consultant and its desire to offer a suitable range of investment options to members. In setting the investment strategy, the trustee will also give consideration to the strategies and asset allocations of other superannuation providers.

The fundamental investment strategy is expressed as an SAA for each primary investment option.

### 4.1 Asset classes

The SAAs of the primary investment options may comprise, in varying proportions, the following asset classes:

- International fixed interest.
- New Zealand fixed interest.
- New Zealand cash and cash equivalents.
- International listed property.
- Australasian equities.
- International equities.
- International listed infrastructure.

The trustee will review the asset classes included within the SAAs from time to time.

### 4.2 Asset class benchmarks

The trustee has adopted the asset class benchmarks set out in Appendix B.

### 4.3 Strategic asset allocations

The following table shows the current SAAs, which apply to the primary investment options offered to members under the scheme.

Against these SAA or benchmark positions, the investment manager is able to adjust the weights to each asset class with the aim to add additional return. The combined SAA positions and dynamic asset allocation (DAA) ranges form the target asset allocation for each primary investment option. The investment manager must keep the target asset allocation within the ranges specified in the table below. As Cash Plus is a single asset class fund, there is no discretion given to the investment manager to deviate from the cash asset class.

The trustee has completed a review of the SAA and agreed new weights for all of the primary investment options except Cash Plus. The investment manager will transition these investment options to these new SAAs before the end of Q1 2024 and a new SIPO will be published. See the supplement appended to this document for details of the planned changes.

#### High Growth

Asset class	Benchmark %	Range %
Trans-Tasman equities	25	22–28
International equities	70	67–73
International listed property	0	0–3
International listed infrastructure	0	0–3
<b>Total growth assets</b>	<b>95</b>	<b>89–100</b>
International fixed interest	0	0–3
New Zealand fixed interest	0	0–3
New Zealand cash and cash equivalents	5	0–10
<b>Total income assets</b>	<b>5</b>	<b>0–11</b>

### Growth

Asset class	Benchmark %	Range %
Trans-Tasman equities	20	17–23
International equities	47.5	44.5–50.5
International listed property	5	2–8
International listed infrastructure	7.5	4.5–10.5
<b>Total growth assets</b>	<b>80</b>	<b>69–91</b>
International fixed interest	11	8–14
New Zealand fixed interest	4	1–7
New Zealand cash and cash equivalents	5	0–10
<b>Total income assets</b>	<b>20</b>	<b>9–31</b>

### Balanced

Asset class	Benchmark %	Range %
Trans-Tasman equities	15	12–18
International equities	37.5	34.5–40.5
International listed property	2.5	0–5.5
International listed infrastructure	5	2–8
<b>Total growth assets</b>	<b>60</b>	<b>49–71</b>
International fixed interest	26	23–29
New Zealand fixed interest	9	6–12
New Zealand cash and cash equivalents	5	0–10
<b>Total income assets</b>	<b>40</b>	<b>29–51</b>

### Stable

Asset class	Benchmark %	Range %
Trans-Tasman equities	5	2–8
International equities	15	12–18
International listed property	0	0–3
International listed infrastructure	0	0–3
<b>Total growth assets</b>	<b>20</b>	<b>14–32</b>
International fixed interest	45	42–48
New Zealand fixed interest	15	12–18
New Zealand cash and cash equivalents	20	15–25
<b>Total income assets</b>	<b>80</b>	<b>68–86</b>

### Cash Plus

Asset class	Benchmark %	Range %
International fixed interest	0	n/a
New Zealand fixed interest	0	n/a
New Zealand cash and cash equivalents	100	n/a
<b>Total income assets</b>	<b>100</b>	<b>n/a</b>



#### 4.4 Foreign currency hedging strategy

The trustee's policy is to hedge fully, on an effective basis, the foreign currency exposures arising from all investments with the exception of investments in international equities, which are only hedged to 50% (net of tax). However, it is recognised that this may not always be practicable, and a partially hedged position may apply to certain asset classes as agreed between the trustee and the investment manager. Further, market movements and active positions taken by the underlying investment managers may result in deviations from the target hedging level.

#### 4.5 Super Steps

Super Steps uses Growth, Balanced and Stable as 'building blocks'. The allocations to each of these options are based on age attained as at 1 April each year according to the following table:

Age attained	Growth %	Balanced %	Stable %
Under 45	100	-	-
45	85	15	-
46	70	30	-
47	55	45	-
48	40	60	-
49	25	75	-
50	10	90	-
51	-	98	2
52	-	90	10
53	-	83	17
54	-	75	25
55	-	68	32
56	-	60	40
57	-	53	47
58	-	45	55
59	-	38	62
60	-	30	70
61	-	23	77
62	-	15	85
63	-	8	92
64 and over	-	0	100

## 5 | Investment expectations

### 5.1 Primary investment options<sup>1</sup>

Based on the underlying asset allocation of each primary investment option, the trustee has established investment expectations for each option. These will be periodically reviewed in light of both past and expected market conditions.

- High Growth** To provide higher-level returns, with a higher level of risk than the other options. As a guide to members, High Growth is expected to provide a long-term return after tax and investment expenses of 3.5% p.a. above the inflation rate, with the likelihood of a negative return approximately 1 year in every 4. Minimum suggested investment timeframe – 13 years.
- Growth** To provide high-level returns, with a relatively high level of risk. As a guide to members, Growth is expected to provide a long-term return after tax and investment expenses of 3% p.a. above the inflation rate, with the likelihood of a negative return approximately 1 year in every 4. Minimum suggested investment timeframe – 10 years.
- Balanced** To provide medium-level returns, with a moderate level of risk. As a guide to members, Balanced is expected to provide a long-term return after tax and investment expenses of 2.5% p.a. above the inflation rate, with the likelihood of a negative return approximately 1 year in every 4. Minimum suggested investment timeframe – 8 years.
- Stable** To provide relatively stable returns, with a low to medium level of risk. As a guide to members, Stable is expected to provide a long-term return after tax and investment expenses of 1% p.a. above the inflation rate, with the likelihood of a negative return approximately 1 year in every 6. Minimum suggested investment timeframe – 3 years.
- Cash Plus** To maintain invested capital and provide stable returns, with negligible likelihood of experiencing a loss in any year. As a guide to members, Cash Plus is expected to provide a return after tax and investment expenses that broadly matches the after-tax return of the S&P/NZX Bank Bills 90-day Index. Minimum suggested investment timeframe – no minimum.

The risk and return parameters may vary over time as economic conditions change.

Members are able to tailor their own risk/return profile through investing in more than one primary investment option.

### 5.2 Super Steps

The trustee's investment expectations for Super Steps are a function of its investment expectations, from time to time, for the underlying 'building block' primary investment options.

<sup>1</sup> These expected returns are calculated after tax, assuming tax is paid at the highest prescribed investor rate (PIR) of 28%.

## 6 | Implementation

This section sets our general principles for implementing the scheme's investment strategy.

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### 6.1 Internal versus outsourced management

The trustee has outsourced the investment of the scheme's assets to the investment manager.

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### 6.2 Active versus passive asset class management

The scheme predominantly employs active management (as opposed to passive management) in all asset classes.

In adopting an active approach to asset class management, the trustee has (where applicable) established minimum excess return and maximum tracking error expectations, as set out in Appendix B, in order to:

- justify the added expense of active management
- preserve the broad characteristics of the chosen asset class benchmarks and, in turn, the integrity of the SAA process.

These expectations serve as a guide in assessing the investment manager's proposed management of each asset class based on forecasts rather than actual results.

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### 6.3 Responsible investment

The trustee's policy is to avoid, where practical, investment in companies whose activities are contrary to the intent of New Zealand legislation or various international agreements to which New Zealand is a signatory. These activities currently include the manufacture of:

- cluster munitions
- anti-personnel mines
- nuclear explosive devices, and
- tobacco products.

These activities also include the manufacture and retailing of military style semi-automatic weapons or assault rifles for civilian use.

We note that exclusions to other assets and securities may also apply as required by New Zealand and international sanctions.

However, the trustee has determined that investing through commingled funds offered by professional managers is the most practicable and efficient way of delivering desired outcomes to members. Accordingly, the trustee has no direct influence over the individual securities held by the underlying investment managers or their responsible investment policies, voting decisions and engagement activities. Nonetheless, the trustee will regularly question the investment manager in this regard and will expect the investment manager to:

- be a signatory to the United Nations-supported Principles for Responsible Investment
- incorporate responsible investment (environmental, social and governance) considerations into its investment process, with the trustee receiving regular reporting on these considerations.

## 7 | Risk management

### 7.1 Rebalancing

Actual asset allocations will drift away from target asset allocations over time as a result of differences in asset class returns and cash flows. Rebalancing back towards these target asset allocation positions, however, incurs transaction costs. Defining rebalancing ranges within which target asset allocations must be maintained requires a trade-off between these factors. The following rebalancing ranges around the target asset allocations apply to the primary investment options.

	High Growth %	Growth %	Balanced %	Stable %
International fixed interest	±2	±2	±2	±2
New Zealand fixed interest	±2	±2	±2	±2
New Zealand cash and cash equivalents	±5	±2	±2	±2
<b>Total income assets</b>	<b>±5</b>	<b>±5</b>	<b>±3</b>	<b>±2</b>
Trans-Tasman equities	±2	±2	±2	±1
International equities	±3	±3	±3	±2
International listed property	n/a	±1	±1	n/a
International listed infrastructure	n/a	±2	±1	n/a
<b>Total growth assets</b>	<b>±5</b>	<b>±5</b>	<b>±3</b>	<b>±2</b>

The investment manager will use the cash flows resulting from net switches, contributions and benefit payments to rebalance regularly each primary investment option towards its target asset allocations.

The investment manager monitors positions on a daily basis. In the event of a rebalancing range being breached, the investment manager will, as soon as is practicable, effect the necessary transactions such that the infringing exposure will be repositioned back to the target asset allocation.

The investment manager will consider the costs of rebalancing, including transaction and spread costs, when determining which asset classes to use for cash flow management and rebalancing.

A breach of a rebalancing range resulting from market movements that is corrected as soon as is practicable will not be deemed to be material for the purposes of the limit break reporting requirements under the FMC Act.

### 7.2 Gearing

The scheme does not borrow at a total portfolio level. Gearing may, however, be permitted within individual investment management mandates for the purposes of portfolio management where this is authorised by the investment manager.

### 7.3 Lending and credit

The assets of the scheme are not to be used for the purposes of lending nor for backing the credit position of other parties.

### 7.4 Derivatives

The scheme does not use derivative contracts at a total portfolio level. Derivative contracts may only be employed by the investment manager and its delegates:

- as a hedge to manage exposure to foreign currency or other investment risks
- to reduce transaction costs and improve liquidity in taking a position that would otherwise have been taken by buying or selling physical stock.

### 7.5 Diversification

An appropriate level of diversification across securities, sectors, asset classes and countries must be maintained.

### 7.6 Liquidity

Liquidity must be considered and maintained at an appropriate level (refer to the liquidity policy set out in Appendix A).

### 7.7 Prohibited investments

Management of the scheme's assets is through a series of pooled products offered by the investment manager. In approving the various products, it is recognised that the trustee has no direct control of the underlying investment mandates.

## 8 | Reviewing and monitoring procedures

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### 8.1 SIPO

This SIPO will be reviewed no less frequently than annually, or sooner if appropriate due to events, including but not limited to material changes in the SAAs, relevant Government policy, the scheme's governance model, the parties included in this SIPO or market conditions.

Any changes to this SIPO must be approved via resolution by the trustee.

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### 8.2 Investment strategy

The SAAs are to be reviewed in principle every 3 years or more frequently if there are significant changes to the economic and commercial environment or as the trustee sees fit.

Any changes to the SAAs must be approved via resolution by the trustee.

Other elements of asset class strategy such as the use of active or passive approaches to asset management will be reviewed periodically.

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### 8.3 External parties

The trustee will monitor and review on a regular basis the performance of the following external parties:

- Investment manager

The investment manager's rolling 3-year performance will be regularly assessed:

- at the overall scheme level
- at a primary investment option level
- at an asset class level.

The trustee's asset class excess return and tracking error expectations, and unless otherwise agreed between the parties, the benchmarks adopted by the trustee will serve as a guide in this process.

The performance of the investment manager will also be regularly assessed on a peer-relative basis.

- Investment consultant

The efficacy of the advice provided by the investment consultant will be regularly assessed.

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### 8.4 Performance report

The investment manager will prepare a performance report for the attention of the trustee and discussion at a meeting shortly after the end of each financial quarter. This report will consolidate asset values and performance at asset class and total portfolio levels for each primary investment option.

Investment returns should be considered net of taxes and expenses.<sup>2</sup> Expenses can be direct or indirect and include fees, implementation delays, transaction costs, commissions and market impact costs.

<sup>2</sup> Assuming tax is paid at the highest PIR of 28%.

## **9 | Directory**

### **Trustee**

PSS Trustees Limited

### **Investment manager**

Mercer (N.Z.) Limited

### **Investment consultant**

Russell Investment Group Limited

### **Scheme secretary**

Mercer (N.Z.) Limited

# Appendix A

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## Liquidity policy

Liquidity can be thought of as the ability to trade promptly at a reasonable cost with minimal price impact. This is generally the case for listed assets. In the extreme, illiquidity can result in the inability to fund cash flows such as benefit payments. More generally, it can give rise to a lost opportunity as a consequence of moving away from target asset allocation positions. These may arise from market movements or because liquid investments are substituted for illiquid assets either to fund cash flows or as a result of switching between member investment options.

In formulating the scheme's liquidity policy, the trustee has considered these matters and also:

- historic and expected future cash flows
- the member base and patterns of switching between options to date
- the scheme's investment objectives and strategy
- the nature of the assets held by the scheme
- the scheme's liquidity needs in a range of market conditions.

The trustee has determined that it is not paramount that all the scheme's investments should be fully liquid at all times.

Accordingly, and subject to overall constraints, the trustee will consider investment in unlisted assets that have the potential to enhance portfolio return and/or reduce portfolio risk, notwithstanding the fact that these may be illiquid.

However, unlisted assets are valued on an appraisal basis that may not be fully reflective of true market value, and in some cases such as private equity, the return profile will typically swing from negative (as funds are committed to investments) to positive (as these investments mature). In assessing such investments, the trustee will also be mindful of the need to maintain reasonable equity between members.



## Appendix B

### Asset class management and performance benchmarks

Asset class	Investment manager <sup>3</sup>	Approach	Benchmark	Min. excess return exp. % p.a.	Max. tracking error exp. % p.a.
International fixed interest	MITNZ	Active, multi-manager	Bloomberg Barclays Global Aggregate (100% \$NZ hedged)	0.75	2
New Zealand fixed interest	MITNZ	Active, single- or multi-manager	Bloomberg NZ Bond Composite 0+Yr	0.5	1
New Zealand cash and cash equivalents	MITNZ	Active, single- or multi-manager	S&P/NZX Bank Bills 90-day	0.1	0.2
Trans-Tasman equities	MITNZ	Active, multi-manager	S&P/NZX 50 with Imputation	1.5	5
International equities	MITNZ	Active, multi-manager	MSCI All Country World with Net Dividends (50% <sup>4</sup> \$NZ hedged)	1.5	3.5
International listed property	MITNZ	Active, single- or multi-manager	FTSE EPRA/NAREIT Developed (100% <sup>4</sup> \$NZ hedged)	1.5	5
International listed infrastructure	MITNZ	Active, multi-manager	FTSE Global Core Infrastructure 50/50 (100% <sup>4</sup> \$NZ hedged)	1.5	5

<sup>3</sup> Mercer Investment Trusts New Zealand (MITNZ) is a range of New Zealand wholesale investment trusts with those trusts in turn comprised of one or more investment portfolios. MITNZ is governed by the MITNZ Trust Deed, SIPO and Information Memorandum.

Mercer (N.Z.) Limited is the manager of the MITNZ. The trustee of the MITNZ is Trustees Executors Limited. Mercer manages MITNZ and selects and monitors the underlying investment managers. In its role as manager, Mercer appoints investment managers, monitors and reports on investment performance and undertakes manager research.

<sup>4</sup> On an effective, after-tax basis assuming tax is paid at the highest PIR of 28%.

# Supplement to the statement of investment policy and objectives



## Police Superannuation Scheme

Adopted on 13 November 2023

### Introduction

#### Purpose

This supplement (**supplement**) to the statement of investment policy and objectives (**SIPO**) for the Police Superannuation Scheme (**scheme**) sets out the trustee's temporary SAA policy. To the extent of any inconsistency between this supplement and the body of the SIPO, this supplement will prevail.

#### Effective date

This supplement is adopted by the trustee with effect from 13 November 2023 and remains effective until the next review date of the SIPO for the scheme.

### Strategic asset allocations

The trustee intends to adopt new SAAs for the scheme's investment options at the SIPO's next review date. The proposed changes are set out in this table.

Asset class	SAAs (%)							
	High Growth		Growth		Balanced		Stable	
	Current SAA %	Proposed SAA %	Current SAA %	Proposed SAA %	Current SAA %	Proposed SAA %	Current SAA %	Proposed SAA %
Trans-Tasman equities	25	25	20	22.5	15	15.5	5	5
International equities	70	70	47.5	50.5	37.5	38.5	15	15
International listed property	0	0	5	3.5	2.5	3	0	0
International listed infrastructure	0	0	7.5	3.5	5	3	0	0
<b>Growth assets</b>	<b>95</b>	<b>95</b>	<b>80</b>	<b>80</b>	<b>60</b>	<b>60</b>	<b>20</b>	<b>20</b>
New Zealand fixed interest	0	1	4	5	9	10	15	15
International fixed interest	0	3	11	14	26	26	45	45
Cash and cash equivalents	5	1	5	1	5	4	20	20
<b>Income assets</b>	<b>5</b>	<b>5</b>	<b>20</b>	<b>20</b>	<b>40</b>	<b>40</b>	<b>80</b>	<b>80</b>
Total	100	100	100	100	100	100	100	100

To reduce the transaction costs of moving to the allocations, the trustee intends to start entering into cross trades to move the investment options towards those allocations. A cross trade is the purchase or sale of (typically) large holdings of units in Mercer Investment Trusts New Zealand (**MITNZ**) between the trustee and other investors in MITNZ. As a cross trade involves the transfer of existing units between investors and not the issuance or redemption of units in MITNZ, the transaction costs of a cross trade are lower.

Large cross trades may cause the asset allocation for one or more investment option to move outside the SIPO's rebalancing ranges for a period of time. Accordingly, the SIPO is modified by this supplement to permit cross trades and allow the asset allocation of an investment option to move outside a rebalancing range where this is for the purpose of moving to the proposed new SAAs.