

MEDICAL ASSURANCE SOCIETY

RETIREMENT SAVINGS PLAN ANNUAL REPORT

For the year ended 31 March 2017





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DETAILS OF PLAN

Name of the Plan

Medical Assurance Society Retirement Savings Plan ("Plan").

Type of scheme

The Plan is a restricted workplace savings scheme. As of 19 September 2016 the Plan has two sections: an Individual Member Section that preserves existing rules for Members who joined before this date; and a Workplace Savings Section for all new Members who joined from this date.

Manager

The Trustees are the manager of the Plan. The Trustees are:

- R J Tyler, D R Dinsdale
- A C Hercus, B C Sutton
- B G O'Donovan (Licensed Independent Trustee)

Product Disclosure Statement

The latest Medical Assurance Society Retirement Savings Plan product disclosure statement is dated 4 July 2017 and has an 'open for applications' status.

Fund Updates

A fund update for each of the portfolios available in the Plan as at 31 March 2017 is available on the MAS website at mas.co.nz/savings-and-investment/superannuation and on the offer register at business.govt.nz/disclose.

Financial Statements and Auditor's report

The latest financial statements for the Plans are for the year ended 31 March 2017. They have been prepared by the manager in accordance with generally accepted accounting practice in New Zealand and the Financial Markets Conduct Act 2013. The latest financial statements, and the auditor's report on those financial statements, dated 28 June 2017, were lodged with the Registrar on 24 July 2017. They can be found on the scheme register at business.govt.nz/disclose.

Report of the Trustees

THE YEAR IN REVIEW

The Trustees are pleased to present the Annual Report of the Medical Assurance Society Retirement Savings Plan for the 12 months to 31 March 2017.

Results for the year

PORTFOLIO RESULTS (after fees and before tax) 12 months to 31 March 2017

Cash	2.50%
Defensive	5.61%
Conservative	7.53%
Balanced	9.07%
Growth	11.62%
Aggressive	13.25%
Global Equities	15.23%

Investment earnings are determined by changes in the unit price. Please note that past returns are no guarantee of future returns.

The portfolios had excellent returns across the board. The higher-risk portfolios, namely those with the greatest weighting to growth assets such as equities (or shares), had the strongest returns, as international and Australian equity markets surged in value from late 2016.

The best returns were from Australian equities, which rose by over 18%, closely followed by international equities, which gained more than 16%. New Zealand equities' performance was more restrained with a gain of just over 6%. New Zealand and international bond markets recorded modest returns in the range of 2%-3%, as bond yields remained anchored around historically low levels.

International equities

Most major international share markets had a slow start to the year, however the 'Brexit' result in June 2016 on European Union membership gave a real jolt to the markets. The pound slumped, the UK share market dropped sharply, and investors around the world briefly turned cautious. Global central banks responded to the blow to confidence by reducing interest rates even further. This proved effective, as markets recovered quickly over the next few months and soon moved ahead of their pre-Brexit highs.

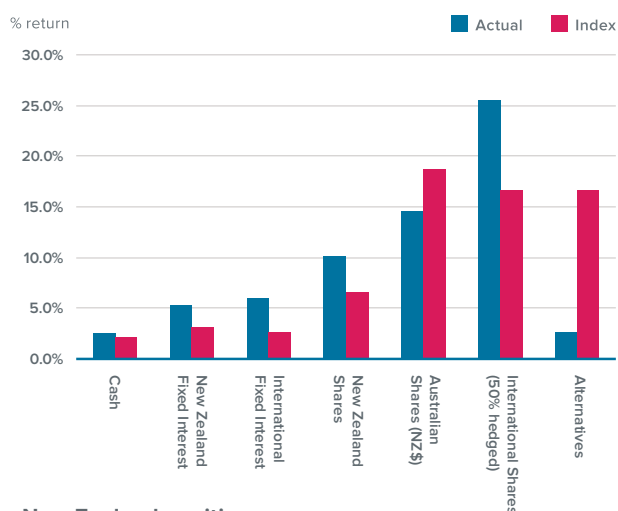
Investors took a very positive view of Donald Trump's victory in the United States Presidential election in November 2016. Whatever one may think about various aspects of his economic and political programme, his intention to cut corporate taxes, reduce regulations in the corporate sector, and embark on major infrastructure spending, all struck a chord. The US share market moved to new highs, pulling many other markets up with it. Bond yields also rose, as investors expected high borrowings to finance the infrastructure spending. US banks were major beneficiaries of the post-election mood, with higher interest rates giving them scope to raise their long-suppressed lending margins. Investors drove banks' share prices up powerfully from November into early 2017.

The portfolios' returns on international shares strongly outperformed the MSCI benchmark return, its 25.5% gain being a huge 9% above that of the benchmark. Strong returns from US banks, Japan, and Europe, all contributed to this excellent result.

Currency

The New Zealand dollar was virtually unchanged against the United States dollar during the year, and rose by a modest 1.5% against the Australian dollar.

Asset class (actual and index) returns for 12 months to 31 March 2017



New Zealand equities

New Zealand shares had a year of two halves. The first saw new record highs for the domestic market being achieved as it gained 9% by the end of September. Our market benefited significantly from global investors searching for high-yield investments, and the New Zealand market's average dividend yield is among the

most attractive in the world. The market's direction reversed abruptly in October and early November as investors appeared to tire of the 'yield play' and took profits in what was perceived as an expensive market. For the year as a whole, our market gained a solid 6.6%, while the portfolios' actual return on New Zealand shares was notably stronger at 10.1%.

Australian equities

Australian shares had a very strong year, with buoyant investor sentiment in the dominant United States market spilling over into Australia. The mild rise in the New Zealand dollar against the Australian dollar slightly dampened the Australian equity market's gain of 20% in Australian dollar terms to a still significant 18.8% in New Zealand dollar terms.

Bond markets

International bond (fixed interest investments issued by companies and governments) markets had a muted year. Bond yields moved in a relatively tight range around historically low levels, keeping bond returns low. New Zealand bonds largely reflected the international bond market, registering low returns from low domestic bond yields.

The actual returns achieved by the portfolios in the international and domestic bond markets were better than the market (benchmark) returns, by around 2%-3%.

Alternatives

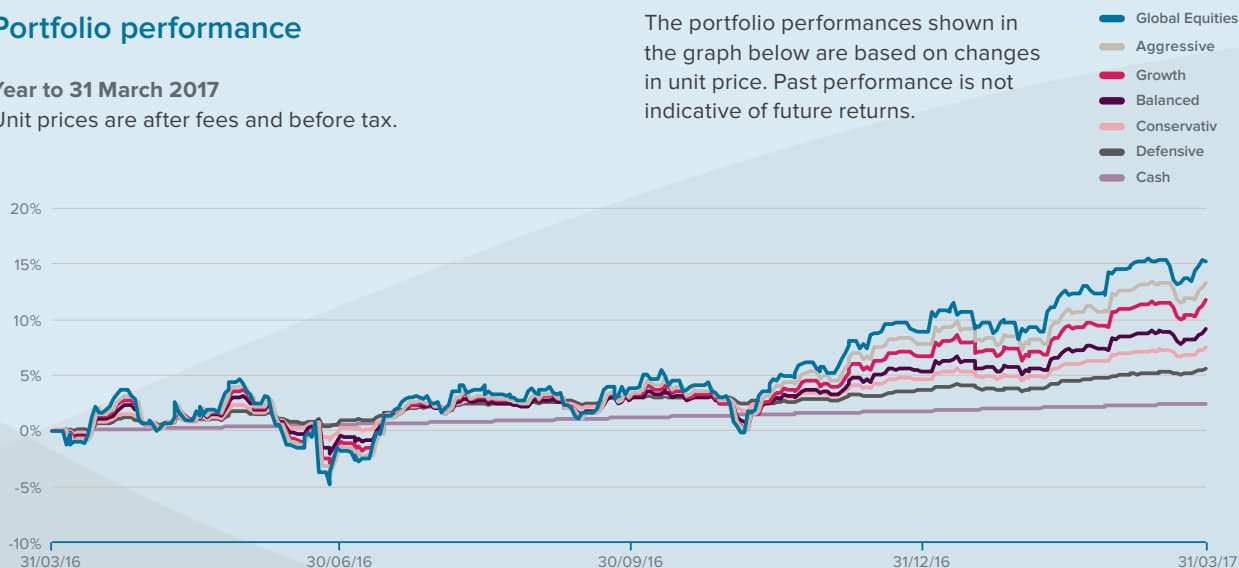
Alternative investments such as hedge funds provide non-correlated returns. They are expected to behave differently from equity markets, and in a strong year for equities they fell well short of the international equity benchmark return.

Portfolio performance

Year to 31 March 2017

Unit prices are after fees and before tax.

The portfolio performances shown in the graph below are based on changes in unit price. Past performance is not indicative of future returns.



Retirement Savings Plan Portfolios

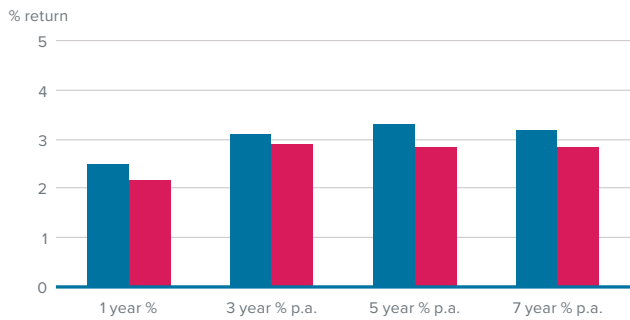
Returns per annum to 31 March 2017

Actual portfolio returns are after fees and before tax.

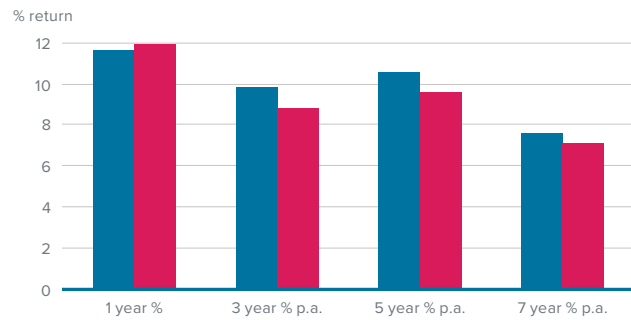
Benchmark returns are before fees and tax.

■ Actual ■ Benchmark

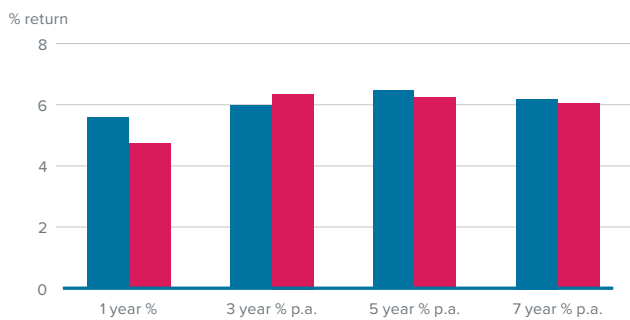
Cash Portfolio



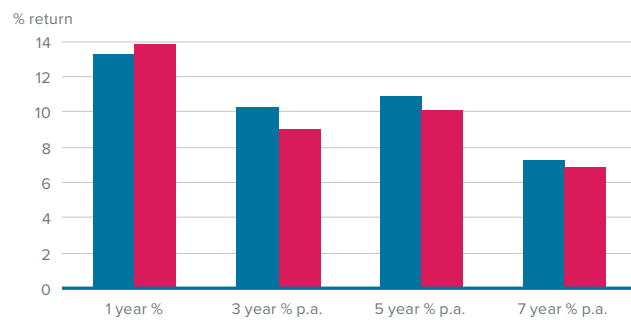
Growth Portfolio



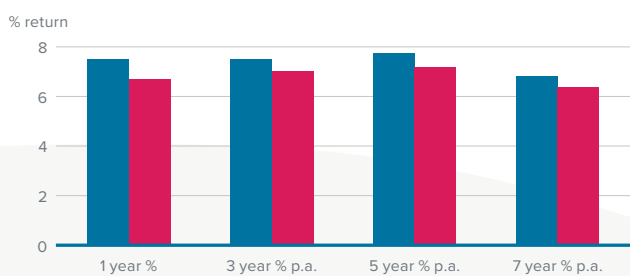
Defensive Portfolio



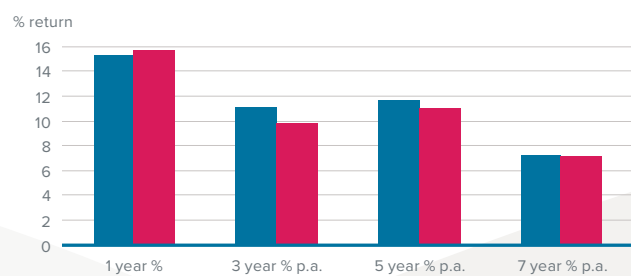
Aggressive Portfolio



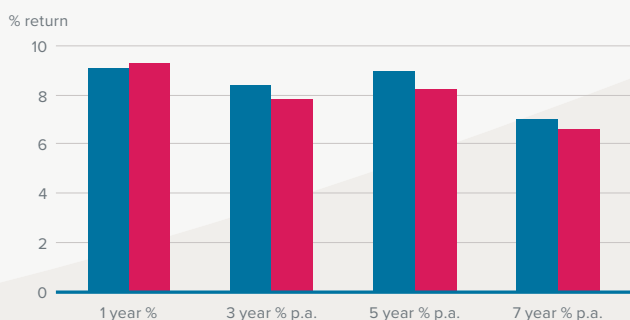
Conservative Portfolio



Global Equities Portfolio



Balanced Portfolio



The graphs show annualised returns versus benchmark returns for each portfolio. Benchmark returns are based on index returns and benchmark weightings.

Overall, the portfolios performed strongly over all periods from one to seven years with actual returns mostly higher than benchmark (market index) returns.

Top 10 Portfolio holdings

% of portfolio net asset value.
As at 31 March 2017

NEW ZEALAND BONDS %

Vector 2024	16.3
Westpac 2026	9.6
ASB Bank 2024	8.4
Contact Energy 2018	8.4
ANZ National Bank 2049	8.3
BNZ 2025	8.2
ANZ National Bank 2021	6.1
Infratil 2022	4.3
IAG Group 2043	4.2
Quayside Holdings	4.1

INTERNATIONAL BONDS (ISSUERS) %

United States Government	21.8
FNMA Pass thru Pools	15.0
Japanese Government	12.1
Mexican Government	7.8
Danske Bank	7.7
Slovenia Government	4.2
Foreningen Nykredit	3.9
United Kingdom Government	3.6
Barclays Plc	2.8
German Government	2.7

NEW ZEALAND SHARES %

Meridian Energy	12.0
Fisher & Paykel Healthcare	10.1
Metlifecare	8.7
Infratil	8.3
Z Energy	7.9
Fonterra Shareholder Fund	7.5
Fletcher Building	7.4
Air New Zealand	4.8
Freightways	4.2
Port of Tauranga	3.7

AUSTRALIAN SHARES %

ANZ Banking Group	11.9
National Australia Bank	11.0
CSL	7.6
BHP Billiton	6.8
Westpac	5.8
Lend Lease	5.4
Resmed	5.0
Transurban	4.3
Telstra	4.1
Westfarmers	3.9

INTERNATIONAL SHARES* (SECTOR / REGION EXPOSURES) %

North American Technology	19.9
US Banks	19.7
Europe	15.0
Japan	14.7
US Medical Devices	10.7
European Telecommunications	6.4
India	5.2
European Health Care Devices	4.6
US Oil Services	3.6

*Current exposure is to nine sectors.

The tables above show the top ten holdings of each asset class for the Retirement Savings Plan Balanced Portfolio. This is typically representative of other portfolios, but portfolios may not hold the exact securities as listed. A detailed breakdown of individual portfolio holdings can be found online at mas.co.nz/savings-and-investment/superannuation.

Socially Responsible Investment

Our Members have long been concerned with the health and well-being of all New Zealanders. With that in mind, we have looked closely at how we can reflect those concerns in the types of investments we make on your behalf. Our objective remains to achieve excellent long-term results for our Members, but we concluded that we could also make a better, positive contribution to the environment and human health.

From September 2017, the Medical Assurance Society KiwiSaver Plan and the Retirement Savings Plan will implement refined investment policies that better reflect our commitment to a sustainable and healthy future for New Zealand, our planet, and its people.

With the help of a recognised global leader in responsible investment who will apply complex investment screens on our behalf, we will exclude companies whose only, core, or majority business is:

- manufacture and sale of armaments
- manufacture and sale of tobacco
- exploration, extraction, refining or processing of fossil fuels
- any utility that primarily burns fossil fuels.

Socially responsible investment is not just the right thing to do, we think it's good business. We, and many others, foresee that demand for fossil fuels will wane over the next 10 years, and MAS has the opportunity to invest in industries that will offer the greatest potential for wealth creation over the next generation. We believe that over time your returns should keep performing well against industry benchmarks. Your MAS investment fund charges will also decrease as we take advantage of new investments with socially responsible screens.

Online Investor Portal

MAS have a new Investor Portal, containing a number of features to help you keep track of your investment. You can log on at mas.co.nz and click 'My Investments' at the bottom of the page.

Detailed transactions information

You can view and also export your own transaction information from the Transaction page.

Detailed reporting

You can also check your balances, transaction history, and portfolio settings enabling you to be fully informed on your investments.

All of this information is there to help you monitor your investments, and to provide material for you to use when considering your portfolio choices.

Fund updates, market commentary, and a detailed breakdown of returns from each MAS portfolio are updated regularly and can be found at mas.co.nz/savings-and-investment/superannuation.

For questions relating to the Investor Portal, please contact our administrator Link Market Services on **0800 627 738** or masinvest@linkmarketservices.com.

INFORMATION ON CONTRIBUTIONS AND SCHEME PARTICIPANTS

Membership - Retirement Savings Plan

The following table sets out the numerical changes in membership for the Plan during the year ended 31 March 2017.

	1 APRIL 2016	31 MARCH 2017
Members	5,705	6,074
Number of contributing Members	4,168	4,384
Number of non-contributing Members	1,537	1,690

NUMBER OF PERSONS WHO BECAME SCHEME PARTICIPANTS OVER THE YEAR 533

Transfers from other schemes	0
New members	533

NUMBER OF PERSONS WHO CEASED TO BE SCHEME PARTICIPANTS OVER THE YEAR 157

Retirement	60
Death	4
Transfer to other schemes	14
Other	79

	1 APRIL 2016	31 MARCH 2017
Scheme participants' accumulations	\$551,624,632	\$638,459,413
Scheme participant numbers	5,705	6,074

The following contributions were received in respect of members of the Plan over the year:

CONTRIBUTION SOURCE	AMOUNT (\$)	NUMBER OF MEMBERS
Member	\$25,427,462	3,950
Employer	\$15,299,565	3,949
Member voluntary additional contributions	\$11,998,352	649

CHANGES RELATING TO THE PLAN

Transition to Financial Markets Conduct Act 2013

On 19 September 2016, the Medical Assurance Society Retirement Savings Plan transitioned to the Financial Markets Conduct Act 2013 (FMCA) regime. As a result;

- The investment statement and prospectus for the Plan have been replaced with a product disclosure statement and other policy documents, information and data which can be found on the Disclose register

at business.govt.nz/disclose (search 'Medical' under the Scheme register and Offer register).

- Licensed Independent Trustee - the Plan is now required to have a licensed independent trustee. Brendan O'Donovan was already acting as independent trustee and was granted an independent trustee licence by the Financial Markets Authority, effective from 19 April 2016.

Changes to the trust deed

Until 7 September 2016 the Medical Assurance Society Retirement Savings Plan was part of an umbrella trust deed together with Medical Assurance Society KiwiSaver Plan. On that date the existing trust deed was amended and a separate trust deed for the Medical Assurance Society Retirement Savings Plan was established, as required under the FMCA.

On 19 September 2016 the Retirement Savings Plan became a 'restricted workplace savings scheme' under the FMCA. This means it is not open to the general public and new membership is restricted to a particular group of eligible people. You can read about the eligibility restrictions at mas.co.nz/savings-and-investment/superannuation.

As such, from 19 September 2016 the Plan has two sections:

- A restricted legacy section that is closed and preserves rules for existing members prior to 19 September 2016.
- A restricted workplace savings section open to all new members. As a workplace savings scheme, a member may leave the Plan before age 55 if they cease to meet the eligibility criteria for joining.

Changes to the terms of offer of the Plan

In addition to the changes above:

- The early withdrawal fee (which was up to 5%) has been removed.
- The minimum balance has increased from \$200 to \$5,000. MAS retains discretion to close an account below this balance (e.g. if the account is inactive).

Changes to the Plan's Statement of Investment Policy and Objectives (SIPO)

The SIPO was first made available on the Disclose scheme register on 13 September 2016 and there have been no changes up to 31 March 2017.

Changes to the nature or scale of related party transactions

No related party transactions were entered into during the accounting period that were not on arms-length terms.

OTHER INFORMATION FOR PARTICULAR TYPES OF MANAGED FUNDS

The following number of members of the Retirement Savings Plan made a withdrawal permitted under the FMCA and the trust deed during the period 1 April 2016 to 31 March 2017:

WITHDRAWAL TYPE	NUMBER OF MEMBERS
Financial hardship	4
Serious illness	1
Court order	3
Permanent emigration	76
Withdrawal on death	4
Retirement withdrawal	370
Transfers	14
Minimum balance	6

RETIREMENT SAVINGS PLAN:	UNIT PRICES AT 31 MARCH 2016	UNIT PRICES AT 31 MARCH 2017
Cash Portfolio	1.1066	1.1343
Defensive Portfolio	1.1823	1.2486
Conservative Portfolio	1.2343	1.3273
Balanced Portfolio	1.2717	1.3871
Growth Portfolio	1.3206	1.4741
Aggressive Portfolio	1.3340	1.5107
Global Equities Portfolio	1.3506	1.5563

Trustees' statement

- All contributions required to be made to the Plan during the financial year in accordance with the terms of the trust deed have been made.
- All benefits required to be paid from the Plan in accordance with the terms of the trust deed and superannuation scheme rules have been paid.
- The market value of Plan assets at the close of the financial year equalled the total value of benefits that would have been payable had all members of the Plan ceased to be members at that date, and had provision been made for the continued payment of all benefits being paid to members and other beneficiaries as at the balance date.

CHANGES RELATING TO PERSONS INVOLVED IN THE PLAN

CHANGES TO THE PLAN'S ADMINISTRATION MANAGER

MAS have been using Aon New Zealand to maintain the registry system for the Plan and to undertake day-to-day administration of the Plan.

The administration business of Aon has recently been replaced by **Link Market Services Limited (Link)**.

Members will continue to receive the same great ongoing service from Link but we have new contact details and a new Investor Portal. The new Investor Portal still allows you to view your investments and manage your personal details, making it even easier to keep track of your savings. To access the Portal you can log in at **mas.co.nz** and click on 'My Investments' at the bottom of the page.

The telephone contact number (unchanged) is **0800 627 738**. The new email address is **masinvest@linkmarketservices.co.nz**. The new postal address is

Link Market Services
Freepost 884
PO Box 91976
Victoria Street West
Auckland 1142

There have been no changes to the Trustees, investment manager, custodian, auditor or solicitor since the last annual report.

Change to the fee paid to the Licensed Independent Trustee of the Retirement Savings Plan

The fee that the Plan pays to the Licensed Independent Trustee, Brendan O'Donovan, was raised from \$6,000 p.a. to \$9,000 p.a. from 1 October 2016. The \$9,000 p.a. is paid by the Plan as a whole, not by individual members.

HOW TO FIND FURTHER INFORMATION

Further information about the Plan is publicly available and free of charge:

OFFER REGISTER

- Product Disclosure Statement
- Fund updates

See **business.govt.nz/disclose** (search the offer register)

SCHEME REGISTER

- Statement of Investment Policy and Objectives (SIPO)
- Trust deed
- Financial statements

See **business.govt.nz/disclose** (search the scheme register)

ON REQUEST FROM THE TRUSTEES

You can also obtain a copy of the information on the Disclose scheme register or offer register, free of charge, by contacting us as indicated below.

CONTACT DETAILS AND COMPLAINTS

MANAGER

The Trustees
Medical Assurance Society Retirement Savings Plan
PO Box 13042
Johnsonville
Wellington 6440

Phone: **0800 800 627**
Email: **investments@mas.co.nz**

SECURITIES REGISTRAR

Link Market Services Limited
Level 11, Deloitte Centre
80 Queen Street
Auckland 1010

Phone: **0800 627 738**

If you have a complaint

Complaints may be made to the Trustees at the same address as above.

If you have followed the Trustees' internal complaints procedure and you are dissatisfied with the outcome, you can get free independent assistance from the Dispute Resolution Scheme to which the Trustees belong:

Insurance & Financial Services Ombudsman Scheme
Level 8 Shamrock House
79-81 Molesworth Street
Wellington 6143
PO Box 10-845 Wellington

Phone: **(04) 499 7612**

You won't be charged a fee by us or the dispute resolution scheme investigating or resolving a complaint.

BRANCHES

North Shore

Ground Floor, Toll Building
Smales Farm Office Park
Takapuna
PO Box 33443
Fax 09 487 0449

Auckland

Level 2, Ecom Building
3 Ferncroft Street, Grafton
PO Box 9905
Fax 09 524 0101

Hamilton

62 Tristram Street
PO Box 436
Fax 07 839 4293

Palmerston North

6-8 Linton Street
PO Box 2096
Fax 06 356 7067

Wellington

19-21 Broderick Road, Johnsonville
PO Box 13042
Fax 04 494 7020

Christchurch

158 Leinster Road, Merivale
PO Box 36260
Fax 03 355 5407

Dunedin

27-29 Albany Street
PO Box 6365
Fax 03 474 1480

Call us today:
0800 800 627
Visit us online at mas.co.nz

