



COOK ISLANDS

National Superannuation Fund

ANNUAL REPORT OF THE TRUSTEE TO THE MEMBERS
for the year ended 31 December 2014

TRUSTEE REPORT

TRUSTEE REPORT

MESSAGE FROM THE TRUSTEE

The Trustee is pleased to present to the Members of the Cook Islands National Superannuation Fund (the 'Fund') the Trustee Report for the year ended 31 December 2014. The Trustee Report is provided to keep you informed of the Fund's financial results during the year and your investment in the Fund. The Trustee Report to Members is provided annually.

Your individual member statement which lists the value of your benefits as at 31 December 2014 will be mailed to your address shown on our membership records. Alternatively, a copy is available to you from the CINSF Office.

FUND ACTIVITY

During the year under review, combined contributions from members and their employers were \$10.5 million (2013: \$9.4m). Benefit payments were \$1.4 million (2013: \$1.3m). The net asset value of the Fund grew by \$17.4 million to reach \$95.4 million (2013: \$78 million) by the end of 2014. Also, 678 new members joined the Fund, bringing the total membership to 8,249 (including 94 Pensioners) at the end of 2014.

FUND INVESTMENTS

The Fund seeks exposure to different classes of investments by investing in investment funds managed by Russell Investment Group Limited. Details of the Investment Funds are set out in the table below.

INVESTMENT FUNDS

Fund Name	Sector	Domiciled
Russell Global Bond Fund Class B	Income Assets	Aus
Russell Global Opportunities Fund (\$NZ Hedged Class B)	Growth Assets	Aus
Russell Investments Australasian Share Fund	Growth Assets	NZ
Russell Investments NZ Fixed Interest Fund	Income Assets	NZ

ASSET ALLOCATIONS

Fund Name	Actual Allocation	Range
Russell Global Bond Fund Class B	50.1%	48% - 56%
Russell Global Opportunities Fund (\$NZ Hedged Class B)	26.1%	20% - 27%
Russell Investments NZ Shares Fund	11.3%	10% - 13%
Russell Investments NZ Fixed Interest Fund	12.5%	12% - 14%

The total investment of the Fund by geographic region and by asset class as 31 December 2014 is shown in the charts on page 3, and described in more detail by sub-Fund in the following paragraphs.

RUSSELL GLOBAL BOND FUND - CLASS B

Description

The Russell Global Bond Fund – Class B aims to provide a total return, before costs and tax, higher than the fund's benchmark (Barclays Global Aggregate Bond NZ Dollar Hedged Index) over the medium term by providing exposure to a diversified portfolio of predominately fixed income securities denominated in foreign currencies and largely hedged into New Zealand Dollars.

The investment fund invests predominately in debt securities issued by supranationals, international governments, quasi-governments, agencies and corporates as well as structured credit securities including mortgage and asset backed securities. The investment fund may also be exposed to low grade or unrated debt securities, emerging markets and currency to a limited extent. Derivatives may also be used to obtain or reduce exposure to securities and markets, to implement investment strategies and to manage risk. Foreign currency exposures are largely hedged back to New Zealand Dollars.

The fund is an Australian registered Unit Trust.

For the year ended 31 December 2014 the gross return of the Fund was 11.91%.

Market Exposure - Regional Allocations

North America	47.6%
Europe (excl UK)	17.0%
Australasia	12.4%
Japan	4.3%
UK	4.6%
Other	14.1%

RUSSELL GLOBAL OPPORTUNITIES FUND (\$NZ HEDGED - CLASS B)

Description

The Russell Global Opportunities Fund (\$NZ Hedged – Class B) aims to significantly outperform the fund's benchmark (Russell Global Large Gap Net Index NZD Hedged), before costs and tax, over the long term by providing exposure to a diversified portfolio of predominately international shares, largely hedged to New Zealand Dollars.

The investment fund invests predominately in a range of international shares listed on stock exchanges in developed and emerging international markets. Derivatives may be used to obtain or reduce exposure to securities and markets, to implement investment strategies and to manage risk. Foreign currency exposures are largely hedged back to New Zealand Dollars.

The fund is an Australian registered Unit Trust.

For the year ended 31 December 2014 the gross return of the Fund was 12.65%.

Market Exposure - Regional Allocations

North America	52.1%
Europe/Middle East/ Africa (excl UK)	22.3%
Emerging Markets	10.3%
UK	7.2%
Japan	5.6%
Asia Pacific (excl Japan)	2.5%

RUSSELL INVESTMENTS NEW ZEALAND SHARES FUND

Description

The Russell Investments New Zealand Shares Fund aims to provide a total return, before costs and tax, higher than the benchmark (Russell New Zealand Domestic Index including imputation credits) over the long term by having an underlying exposure to a diversified portfolio of predominately New Zealand Shares.

For the year ended 31 December 2014 the gross return of the fund was 19.45%.

The fund is a New Zealand registered Unit Trust.

Top 10 Holdings

Fisher and Paykel Healthcare	9.8%
Fletcher Building	8.6%
Mainfreight	6.7%
Spark (formerly Telecom)	5.7%
Contact Energy	5.4%
Ryman Healthcare	4.3%
Cash	3.0%
Diligent	2.9%
Infratil	2.9%
Sky TV	2.5%

RUSSELL INVESTMENTS NZ FIXED INTEREST FUND

Description

The Russell Investments NZ Fixed Interest Fund aims to provide a total return, before costs and tax, higher than the benchmark (a 75:25 weighted average of the ANZ Government Stock Index and ANZ A-Grade Corporate Index) over the long term by having an underlying exposure to a diversified portfolio of fixed interest securities.

The investment policy of the fund is to be invested in fixed interest securities denominated in New Zealand currency.

For the year ended 31 December 2014 the gross return of the Fund was 7.86%.

The fund is a New Zealand registered Unit Trust.

Top 10 issuers

NZ Government	44.4%
RFS Trust	4.3%
BNZ	4.2%
Auckland Council	4.1%
Queensland Treasury	3.5%
Fonterra	3.2%
Cash	3.0%
Kommunalbanken	3.0%
World Bank Group	3.0%
Westpac	3.0%

INVESTMENT FUND PERFORMANCE

For the year to 31 December 2014, the Fund produced an overall net investment gain of 10.90% (2013: 8.86%) after allowing for investment management fees.

Listed below are the interim annual rates used to calculate benefit payments for Members who exited the Fund during the year.

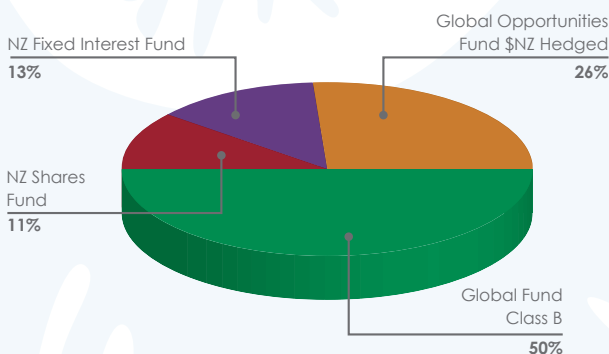
Month of Exit	Interest Rate Fund Year to Date % pa
January 2014	0.5
February	10.3
March	7.4
April	8.1
May	9.7
June	8.8
July	7.9
August	9.8
September	8.4
October	9.3
November	10.4
December 2014	9.8

The total Fund return is a combination of the change in market value plus any distributions, which are reinvested back into the Fund. During 2014, Members benefited from strong returns from both equity and fixed interest funds.

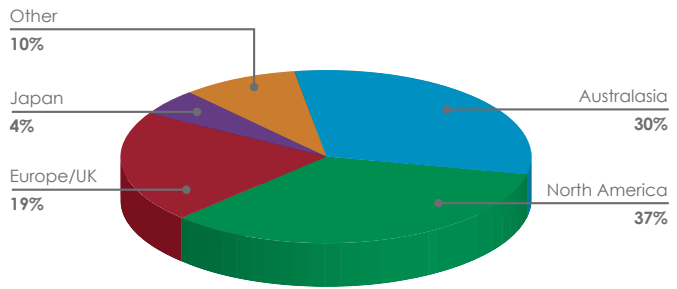
While the potential remains for high levels of investment volatility, it was pleasing to see the positive returns generated during the year, which have been reflected by the investment gains allocated to Members. However, while uncertainty still remains in investment markets the relatively conservative nature of the Fund's investments would help absorb negative investment returns to some extent.

As part of the ongoing and long term nature of the Fund, the Trustee in consultation with the Board, Administration Manager and Manager of the underlying investment funds will continue to undertake investment reviews in consultation with investment and administration managers. For further information please see Other Matters section on page 4.

INVESTMENT PORTFOLIOS



GEOGRAPHIC MARKET EXPOSURE



HOW THE FUND WORKS

The Fund is designed to provide Members with a means to save for their retirement. The Fund is intended to help give Members financial security in their retirement or, in the event of their death before retirement, security for their dependants.

Membership of the Fund is compulsory for all people working in the Cook Islands or employed outside the Cook Islands by an employer resident in the Cook Islands, unless the employer qualifies for a specific exemption. As a member you contribute a percentage of your salary to the Fund and your Employer also contributes. All contributions are allocated to Member and Employer Accounts (collectively known as Compulsory Accounts) held in your name. Each year Compulsory Accounts are credited with interest reflecting the rate earned by the Fund during the year. Please note that in financial years where there are investment losses, Compulsory Accounts could be impacted negatively by the allocation of any investment losses. The compulsion described has been subject to litigation. Refer to section on Litigation on page 4 of this report.

The main purpose of the Fund is to provide for retirement through long term savings. To encourage savings, you are not able to withdraw monies from the Fund while remaining a contributing member. The Fund also provides you with Life Insurance cover provided you meet certain criteria.

On retirement you become entitled to a pension benefit based on the amount held on your behalf in your Compulsory Account, subject to the balance of the Compulsory Account meeting a minimum value (see Pension Rates Section below). On retirement, the full value of your Compulsory Account is transferred to a Pension Account in your name. Your Pension Account remains invested in the underlying investment funds and will continue to receive the annual crediting rate.

Up to 25% of the retirement benefit can be taken as a lump sum and the balance is used to determine your pension payment. Please refer to the Members Information Handbook for details of your entitlements upon retirement, death or disability.

PENSION RATES

An actuarial review of the Fund was conducted for the year ended 31 December 2012; the findings of which were not immediately implemented as specific demographic data on the Cook Islands population was sought. The Report was finalised in October 2014 and the new pension rates implemented from 1 January 2015.

The full list of the current pension rates at various retirement ages is available from the Chief Executive Officer or on the Fund's website.

FUND EXPENDITURE POLICY

At present, a proportion of the Cook Islands Office expenses are funded by the Cook Islands Government through a budget appropriation known as POBOC ("Payments on behalf of Crown"). The level of POBOC funding and any changes to future levels will be determined over time by the Cook Islands Government. Details of expenses and POBOC funding are shown in the full financial statements.

INTERNET ACCOUNT ACCESS

The introduction of internet access has been a useful tool for members to monitor their individual accounts. Details on how to access your account can be found on the Fund's website (see directory- page 7) via the ebenefits tab.

AMENDMENTS TO TRUST DEED

As at the date of this Annual Report, no amendments have been made to the Trust Deed since inception of the Fund.

LITIGATION

Members will be aware of the High Court decision in 2013 where the Court held that the compulsory nature of contributions as mandated under the Cook Islands National Superannuation Act 2000 was a breach of the Cook Islands Constitution and a declaration that the Act was invalid was issued on 31 March 2014. The Minister appealed the High Court decision. The Court of Appeal judgment issued in November 2014 found that the Act does comply with the Cook Islands Constitution. The Respondents have been granted leave to appeal to the Privy Council.

As any other information is received on any further court proceedings, the Office of the Fund will advise members.

OTHER MATTERS

The Trustee, in conjunction with the Board, will in 2015 introduce a range of new investment options for members.

Members will be able to choose a combination of investment options, namely between Conservative (default), Balanced and Growth Funds for amounts held in their Compulsory and Voluntary Accounts. Additional information on the new investment options will be provided by the CINSF Office. Further details will also be provided in a revised version of the Members' Information Handbook.

The Trust Deed will be amended on or about 30 June 2015 to facilitate the introduction of a range of new investment options for Members.

TRUSTEE'S CERTIFICATE

Public Trust as Trustee of the Cook Islands National Superannuation Fund, hereby certifies, after having made due enquiry, to the best of our knowledge and belief, that during the financial year ended 31 December 2014:

- with the exception of unpaid claims referred to in Note 16 of the full financial statements, all contributions made to the Fund during the financial year were in accordance with the Trust Deed and were passed promptly to the Administration Manager;
- all benefits required to be paid from the Fund in accordance with the Trust Deed were paid by the Administration Manager; and
- the market value of the Fund as at the close of the financial year is sufficient to cover all accrued benefit entitlements that would have been payable had all Members of the Fund 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 close of the financial year.



Dennis Church

General Manager – Corporate Trustee Services
Public Trust
17 June 2015



Summary Financial Statements for the year ended 31 December 2014	2014 NZ \$	2013 NZ \$
Summary Statement of Changes in Net Assets		
Net Investment Gain	9,017,532	6,222,300
Plus: Other Income	403,998	468,970
Less: Other Expenses	(1,092,534)	(1,056,395)
Surplus Before Taxation and Membership Activities	8,328,996	5,634,875
Income Tax Expense	(25,691)	(642)
Surplus After Taxation and Before Membership Activities	8,303,305	5,634,233
Membership Activities		
Member Contributions	4,796,321	3,928,624
Member Voluntary Contributions	76,527	52,585
Contributions Yet To Be Allocated	827,711	1,448,193
Employer Contributions	4,760,028	3,928,624
Total Contributions	10,460,587	9,358,026
Less: Benefits Paid	(1,361,710)	(1,267,931)
Net Membership Activities	9,098,877	8,090,095
Increase In Net Assets During The Year	17,402,182	13,724,328
Summary Statement of Net Assets		
Assets		
Financial Assets – At Fair Value Through Profit or Loss	91,860,513	75,135,175
Other Assets	3,872,152	3,081,366
Total Assets	95,732,665	78,216,541
Less: Total Liabilities	(355,969)	(242,027)
Net Assets Available For Benefits	95,376,696	77,974,514
Vested Benefits	94,696,309	77,411,853
Summary Statement of Cash Flows		
Net Cash Flows from Operating Activities	7,761,882	7,589,263
Net Cash Flows from Investing Activities	(7,765,000)	(7,645,000)
Net (Decrease) in Cash Held	(3,118)	(55,737)
Cash at Beginning of Year	2,079,364	2,135,101
Cash At End Of Year	2,076,246	2,079,364

NOTES TO THE SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

A summary of the Fund's audited financial statements for the year ended 31 December 2014 which were authorised for issue by Public Trust (the "Trustee") on 17 June 2015 is shown above. The summary financial statements have been extracted from the full financial statements for the year ended 31 December 2014 which were authorised for issue by the Trustee on 17 June 2015. The auditor issued an unmodified audit report on the full financial statements dated 17 June 2015.

The summary financial statements have been prepared in accordance with FRS 43: Summary Financial Statements. The full financial statements have been prepared in accordance with New Zealand generally accepted accounting practice and they comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") as appropriate for profit-oriented entities. The full financial statements also comply with International Financial Reporting Standards. The Fund has made an explicit and unreserved statement of compliance with International Financial Reporting Standards in note 2 to the full financial statements.

The full financial statements and the summary financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the Fund operates.

The summary financial statements cannot be expected to provide as complete an understanding as provided by the full financial statements of the Fund as they do not include all of the disclosures provided in the full financial statements. A copy of the full financial statements can be obtained, free of charge, from the Cook Islands Office located in the Clarkes Building, Parekura, Rarotonga, Cook Islands.

The auditor has examined the summary financial statements for consistency with the audited full financial statements and has issued an unmodified audit report on the summary financial statements which is set out at page 6.

SUBSEQUENT EVENTS

At a hearing in the High Court of the Cook Islands in 2013, the Minister responsible for the Fund took action against various parties relating to the non-payment of compulsory contributions as mandated under the Cook Islands National Superannuation Fund Act 2000. In February 2014 a judgement was issued which concluded that the compulsory nature of contributions was a breach of the Articles of the Cook Islands constitution and a declaration that the Act was invalid was issued on 31 March 2014. The Minister appealed the High Court decision. The Court of Appeal judgement issued in November 2014 found that the Act does comply with the Cook Islands Constitution. The Respondents have been granted leave to appeal to the Privy Council.

There were no other significant events after balance date that require disclosure.

MEMBERSHIP CHANGES DURING THE YEAR

The below table shows the membership movements for the year ended 31 December 2014.

MEMBERS	
As at 1 January 2014	7,618
New Members	678
Retirements	(59)
Deaths	(6)
Expatriate Withdrawal	(60)
Disablements	(2)
Withdrawn Membership*	(14)
Members at 31 December 2014	8,155

* Withdrawn Membership refers to duplicate names that have been removed

PENSIONERS	
As at 1 January 2014	72
New Pensioners	22
Pensioners at 31 December 2014	94



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE COOK ISLANDS NATIONAL SUPERANNUATION FUND

Report on the Summary Financial Statements

The accompanying summary financial statements of the Cook Islands National Superannuation Fund (the "Fund") on pages 5 and 6, which comprise the Summary Statement of Net Assets as at 31 December 2014, and the Summary Statement of Changes in Net Assets and Summary Statement of Cash Flows for the year then ended, and related notes, are derived from the audited financial statements of the Fund for the year ended 31 December 2014. We expressed an unmodified audit opinion on those financial statements in our report dated 17 June 2015.

The summary financial statements do not contain all the disclosures required for full financial statements under generally accepted accounting practice in New Zealand. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the Fund.

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

Trustee's Responsibility for the Financial Statements

The Trustee is responsible for the preparation of a summary of the audited financial statements, in accordance with FRS-43: Summary Financial Statements.

Auditor's Responsibilities

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (New Zealand) (ISA (NZ)) 810 Engagements to Report on Summary Financial Statements.

Other than in our capacity as auditor and the provision of taxation advice, we have no relationship with or interests in the Fund.

Opinion

In our opinion, the summary financial statements are correctly extracted from the audited financial statements of the Fund for the year ended 31 December 2014 and are consistent, in all material respects, with those financial statements, in accordance with FRS-43.



Chartered Accountants

17 June 2015
Wellington, New Zealand



DIRECTORY

BOARD

Financial Secretary

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(Acting Chairman)
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Cook Islands Workers Assn

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INVESTMENT MANAGER OF THE UNDERLYING INVESTMENT FUNDS

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