

Cash Portfolio offered again this year

When the Trustees introduced the Cash Portfolio in 2004 they resolved that the option would be offered on an annual basis. Accordingly members are offered a further opportunity to transfer all or part of their accumulations to the Cash Portfolio from 01 October 2006.

The 'Cash Portfolio' is available only to members who have **completed 15 years membership of the scheme and who are aged 55 years or over.**

Those members of the scheme who are not eligible to or do not join the Cash Portfolio will continue to have the asset allocation of their accumulations within the scheme established by the Trustees of the scheme as has been the case since the scheme's inception.

A number of other conditions have been established for entry into and continued investment in the 'Cash Portfolio' and these are set out below.

Those eligible members who wish to invest their current accumulations within the scheme, or future contributions, in the 'Cash Portfolio' will be bound by the following conditions:

- Members may request any amount of their current accumulations within the scheme, including both Employer and Member contributions, be transferred to the 'Cash Portfolio' on 01 October each year.
- Either all or none of the contributions made to the scheme from 01 October each year may be invested in the 'Cash Portfolio'. This means members are not permitted to invest part of their or the Employer contributions in the 'Cash Portfolio' during the year.
- Once contributions have been invested in the 'Cash Portfolio' they cannot be transferred back to the member's accumulations where the Trustees have sole discretion as to the asset allocation.
- The Trustees will ensure that the gross return achieved by the 'Cash Portfolio' is similar to that available from bank deposits. Their current policy to invest scheme assets across a number of different asset classes will be curtailed by the member consenting to take responsibility for the 'Cash Portfolio' investment decision. Members who wish to take up the 'Cash Portfolio' option will be required to sign a statement that it was their decision alone to invest in

the 'Cash Portfolio'. Further information is set out below which will be useful for members who are considering investing in the 'Cash Portfolio':

- The aim of the 'Portfolio' is to achieve gross returns similar to wholesale bank deposits by investment in secure New Zealand interest bearing deposits.
- The 'Portfolio' return after tax and expenses for the year to 31 March 2005 was 4.32 per cent and for the year to 31 March 2006 was 4.68 per cent. Members should be aware that the performance from 01 April until 30 September 2004 was as a result of investment decisions taken by the Trustees and applied retrospectively to the 'Cash Portfolio'.
- The member investing in the 'Cash Portfolio' is exposed to a risk that if there is a high level of inflation, retirement savings will not grow in real value over the long term.
- The expectation of a nil or negative return is extremely low and would only occur if there were a collapse of the New Zealand banking system or other significant and dramatic event.
- The 'Cash Portfolio' may be attractive to those

eligible members who are short term investors close to retirement and who wish to protect the value of their investments in the short term. It is not suitable for those members who have a medium to long term investment horizon – three to fifteen years.

- Investments in the 'Cash Portfolio' will be accounted for in a separate member account to all other member accounts held by the member.
- There will be no additional charges to members who invest in the 'Cash Portfolio'. They will still however be required to pay the expenses of administering the scheme as is presently the case.
- Since its inception the scheme's after tax and expenses investment performance has been approximately 6.6 per cent each and every year. This historic performance is 2.6 per cent greater than the after tax and expenses cash performance expected to be generated by the 'Cash Portfolio' in the future. It must be noted that past performance is no guarantee of future performance and no amount of return enforceable by members has been promised by the Trustees.

There are also some other considerations that should be taken into account when any investment is made. The

Trustees wish to bring these to the attention of eligible members as they gather the information necessary to make an informed decision on whether to invest in the 'Cash Portfolio'.

Some of these considerations are:

- How much money or income will you require in retirement ?
- Your financial position and any other investments you currently have.
- Your attitude to investment risk.
- The importance of time. Ask yourself how long your funds will be invested for until retirement and how long you will need them in retirement. Remember that you may remain a member of the scheme once you retire and that retirement may last over twenty years.
- The importance of being invested in a diversified portfolio of investments compared with a single asset class investment such as the 'Cash Portfolio'.
- Managing any risks taken with your investments. Or put another way how your investment mix may smooth the highs and lows of market returns over any period of time.
- You need to have an understanding of the relationship between risk and return. The higher the returns available in the market place the higher the risk that is being taken with your investments.

- The Trustees recommend that you seek professional investment advice if you are unsure about making your own investment decisions. The scheme's web site at [www.firesuper.co.nz](#) has a number of links to those who are able to assist you with investment advice.

Members who wish to take this opportunity to invest in the 'Cash Portfolio' are required to contact the Trustees seeking an Application Form for completion.

You may use any of the four methods set out on the front page of this Supernews to make this request. The form will be sent to you by e-mail where requested.

Completed forms are to be posted back to the Trustees either at the postal address set out on the front page of this Supernews or in the reply-paid envelope sent out with the Application form.

Completed forms will be accepted up to and including **Friday 15 September 2006**. Any forms received after that date will be destroyed.

Any member who requires further information on the 'Cash Portfolio' should contact the scheme Secretary, as set out on the front page of this Supernews, in the first instance, for this information.



BARRY DENT
SCHEME SECRETARY