

Supernews

Member Investment Choice - update

This Supernews should be read in conjunction with Supernews 90 and 91 and the brochure issued earlier

One of the misunderstandings that is apparent from the introduction of Member Investment Choice (MIC) is of how interim interest rates are applied. It is accepted given that, the explanation outlined in Supernews 90 of how interim interest rates are applied should have been set out in greater detail. That is done below.

Application of Interim interest rates:

Since the scheme's introduction the after tax and expenses performance for each Member Investment Choice (MIC) or the previous Portfolios has been determined independently by the Investment Adviser from information provided by each of the Investment Managers at the end of each calendar month. This information is usually available by the 20th of the following month and is then provided to the Scheme Administrator for application and notification at the scheme's web site. The interim interest rates are applied from that time until they are updated the following month by the same process.

Interim interest rates have always been calculated and applied in arrears.

The importance of this process to the implementation of MIC is that, as stated in Supernews 90,

the transfer of assets from the previous Portfolios could not be and were never able to be completed on 01 October 2008 because the finalisation of the interim interest rates would not be completed until about 20 October 2008.

As previously advised the application of interim interest rates to 30 September 2008 occurred on 13 October 2008 and on 17 October 2008 assets were sold from the Cash and Conservative options to bring the options to the benchmarks set out in the brochure sent to Members in August 2008 with the exception of the AMP Property and NZ Assets Management International shares which could not be sold at that time.

The NZ Assets Management International shares were sold out of the Cash and Conservative options on 28 October 2008. The Trustees also took the opportunity to rebalance all four options to those benchmarks set out in the brochure sent to Members. The AMP Property Fund assets are currently frozen and no withdrawals can be made from that Fund. Accordingly all MIC options still hold a portion of these assets.

Given that, at 29 October 2008, the following applied:

Cash option:

93% invested in cash in the ING Wholesale Cash Fund.

7% invested in the AMP Property Fund.

Conservative option:

24.9% of growth assets compared to a benchmark asset allocation of 20.0%.

75.1% of income assets compared to a benchmark asset allocation of 80.0%.

Balanced option:

58.2% of growth assets compared to a benchmark asset allocation of 58.5%.

41.8% of income assets compared to a benchmark asset allocation of 41.5%.

High Growth option:

73.4% of growth assets compared to a benchmark asset allocation of 85.0%.

26.6% of income assets compared to a benchmark asset allocation of 15.0%.

On 18 November 2008 further sales were made and further rebalancing was carried out to ensure each of the options remained within or as close to benchmark as possible at that time.

All decisions made and a further review of the benchmark asset allocation until 24 November 2008 were the subject of further scrutiny at the Trustee meeting on 28 November 2008.

Going forward the benchmark asset allocation will be reviewed formally at the end of each quarter commencing 31 December 2008.

As of 01 December 2008 the AMP Property Fund is still closed to withdrawals and as such the Cash and Conservative options still contain these assets.

A number of questions have been asked related to the Cash option and its investments. On 30 September 2008 the Cash Portfolio assets were transferred from the Westpac Cash Management Account to the ING Wholesale Cash Fund. This followed a review of the securities held in the ING Fund and the investment of the Balanced Portfolio's cash assets in this Fund for some time.

As set out in Supernews 91 those members of the Cash Portfolio who transferred to the Cash option will still need to contact the scheme on 0800 MY SUPER – 0800 69 78737 – in order to ascertain their interim interest rates.

At their meeting of 28 November 2008 Trustees resolved to amend the way the interim interest rates are published at the web site at www.firesuper.co.nz. From 01 December interim interest rates will be displayed for each calendar month of the year. For the current financial year interim interest rates for the period from 01 April until 30 September 2008 for the Cash and Balanced Portfolios are now shown and interim interest rates for each MIC option for each subsequent month will be shown.

Trustees continued to calculate the interim interest rate for each MIC option daily until 01 December and since then have decided to calculate the interim interest rates twice a week given that the volatility in the markets seems to have reduced from that which existed in early October.

All those Members who were entitled to make a further election, as set out in Supernews 91, and who sent in their forms before 05 November were transferred to their new MIC option once the October interim interest rates had been calculated. This process was in accordance with that outlined in Supernews 90.

The issue of those members who did not correctly complete their initial election at the web site was discussed at the Trustee meeting on 28 November 2008. Trustees agreed that where the log at the web site does not show a completed election or the Member does not have a print-out of a completed election then that Member will continue to be invested in the Balanced option until a new election is made in 2009.

Where a Member believes they completed the election correctly and has a printout confirmation they should contact the scheme on 0800 MY SUPER – 0800 69 78737 immediately.

Trustees also resolved to review the implementation of the MIC early in 2009 and to that end a meeting has already been completed with the scheme Administrator Mercer (NZ) Limited.

Members are thanked for their forbearance over the last three months whilst the MIC has been implemented.

Investment matters
Members are advised that the decisions to invest in an international Hedge Fund

through the JP Morgan Alternative Asset Management Hedge Fund and the Russell Investment Management International Bond Fund as set out in Supernews 90 have been put on hold given the current market volatility.



**THE TRUSTEES WISH
MEMBERS AND THEIR
FAMILIES ALL THE BEST
FOR THE COMING
FESTIVE SEASON AND
PROSPERITY FOR ALL IN
2009.**

A handwritten signature in black ink, appearing to read 'Barry Dent'.

**BARRY DENT
SCHEME SECRETARY**