

Beca Super Scheme

Annual Report for the year ended 31 August 2023

Prepared for Beca Super Scheme Members

Issued by BGS Trustee Limited

December 2023



**make
everyday
better.**

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Key Highlights

Crediting rate for year ended 31 August 2023: 3.88%

\$97

million in
Scheme assets

759

members

99

New members

\$3.16

Million in
benefits paid

\$8.55

million
contributions received

Message from the Trustee Board

On behalf of the Trustee Board of the Beca Super Scheme (**Scheme**), I am pleased to present the Scheme's Annual Report for the year ended 31 August 2023.

Investment performance

The Scheme's investment return for the year ended 31 August 2023, at 3.88% after charges and tax, is considered a solid result given the significant ongoing challenges in the wider investment environment (with divergent performance across different asset sectors and markets).

Though the US share market performed strongly for the year, others (including New Zealand's share market) were flat or even slightly negative. It was also a lacklustre year (at best) for fixed interest investments, with most bond market indices ending the year with flat or (again) slightly negative results. Cash fared well, but negative pressure from rising interest rates flowed on to defensive "bond proxy" asset classes such as property and infrastructure as the humble term deposit became more attractive again.

The Scheme again benefited from being judiciously tilted towards cash – still the most defensive asset class, with less exposure to rising interest rates than bonds – but its sizeable investments in property and infrastructure (which had served as good hedges against surging inflation during the year ended 31 August 2022) were a drag on its overall performance this year.

As our Investment Consultant notes in this year's *Investment commentary* (see below), there are grounds for optimism regarding future returns, as we appear to be nearing the end of the interest rate hiking cycle in most major economies. However, investors should remain prepared to weather short-term volatility given ongoing geo-political uncertainty and the potential for unforeseen events to temporarily derail markets.

The first table in the *Investment commentary* section, showing the Scheme's year-on-year net investment returns (after deductions for charges and tax) over the 10-year period 1 September 2014 to 31 August 2023, illustrates the solid overall returns that the Scheme has achieved over that period.

Though of course past returns are not necessarily a good indication of future returns (and returns will vary when measured over different periods) this look-back period is broadly indicative of the success of the Scheme and the Beca Group Superannuation Plan (**Plan**) over many years in helping Beca employees pursue the important aim of saving for their retirement and, in so doing, seeking good long-term investment returns.

Trustee Board changes

I am delighted to advise members on behalf of the Trustee Board that since last year's Annual Report, we have been joined on the Trustee Board by three eminently qualified new Trustee Directors. We warmly welcome these new appointees, each of whom has an invaluable skill set and is already bringing considerable new energy and insight to the stewardship of our members' retirement savings.

Anne Henry, who joined the Trustee Board in April 2023, is Beca's Chief People and Culture Officer. Anne joined Beca from Air New Zealand (where she was GM People – Corporate and Business Transformation) in 2020. She has extensive experience with team leadership, organisational development and employee engagement, and contributes both an important direct link to People and Culture and a well-developed understanding of what it takes to help support our people to thrive.

Nick Edwards, who joined the Trustee Board in August 2023, is Beca's Commercial and Business Performance Director and has served Beca since 2005 in a wide range of finance and commercial roles. Nick has been a member of the Investment Committee (to which the Trustee Board delegates the exercise of its power of investment and the day-to-day management of the investment portfolio for the Scheme and the Plan) since September 2021. Nick contributes commercial acumen, operational knowledge across many

Beca business sectors and an excellent work ethic. He also enjoys a strong international profile across Beca's Asia Pacific network.

Michelle Forster has taken up the role of Licensed Independent Trustee Director effective 1 September 2023 following the retirement of Paul Drummond (see below). Michelle is a Principal at Heathcote Investment Partners (a leading distributor of investment services to family offices, financial intermediaries and licensed financial advice providers) and was formerly General Manager and Head of Advice at SBS Wealth. She contributes skills and experience in financial services regulation, wealth and portfolio management, investment strategies, risk management and retirement planning.

All three appointments were made pursuant to our formal Trustee Board succession planning policy, using rigorous skills-based evaluative criteria, and together they have had the important incidental effect of improving the gender and age diversity on the Trustee Board.

Paul Drummond, who retired as the Licensed Independent Trustee Director for the Scheme and Plan effective 31 August 2023, had served the Trustee Board diligently since 2016. The Trustee Board was very grateful for the financial services expertise, wisdom and vast experience that Paul shared with us during his tenure. We wish Paul all the best as he progressively scales back his various industry commitments after a long and distinguished career.

David Searle (Managing Director, Baker Tilly and a long-time advisor to the Trustee Board) joined the Trustee Board in October 2022 as an additional independent Trustee Director but was obliged to retire as a Trustee Director in July 2023 due to a new conflict of interest policy implemented by Baker Tilly. We are delighted that David continues serving the Trustee Board in an advisory capacity, contributing his specialist financial, risk assessment and business expertise.

General

The year ended 31 August 2023 was yet another very busy year for all involved in managing and administering the Scheme and the Plan. I sincerely thank my fellow Trustee Board members, our participating Beca employers, our administration manager Melville Jessup Weaver (**MJW**), the administration team within Beca and all our external advisers for their hard work and valued contributions and their constant commitment to our members. Our Investment Consultant Ben Trollip of MJW has provided excellent guidance throughout the year. I also thank Mike Woodbury of Chapman Tripp, who continues to provide not only invaluable legal advice but also his wisdom from many years of experience in the superannuation industry.

Most importantly, thank you as a member of our Scheme as we look forward to 2024.

On behalf of the Trustee Board, I wish you and your families a safe and relaxing Christmas/Summer holiday period and all the very best for the year ahead.

Ngā Mihi & Kind Regards

Chye Heng
Chair - Beca Super Scheme

12 December 2023

Meet our new Trustee Directors



From left to right: Professor Emeritus Jilnaught Wong, Nick Edwards*, Michelle Forster*, Anne Henry* and Chye Heng
*New Trustee Director

The importance of saving for retirement – a member’s story



Plan member Jackie Jones with Trustee Board member and Beca Group CFO Mark Fleming.

Scheme member **Jackie Jones** (Accounts Payable Manager) is retiring at the end of this year after nearly 35 years’ valued service with Beca.

Jackie says that *“I am most grateful that I got to join the Beca Group Superannuation Plan and then the Scheme as well. The resulting retirement lump sums will be a great help to me in enjoying my coming retirement”*.

Jackie adds that in her experience it is important to start saving for retirement as soon as you can, to an extent that you can comfortably afford, and to keep up the savings habit throughout your working life.

“I started saving for my retirement through the Beca Group Superannuation Plan as soon as I was offered membership sometime in 1996, knowing early on how important it would be for my future. It was so easy doing so through payroll, and starting my savings journey early on in my Beca career was a big help in reaching my retirement savings goals”.

Jackie is excited to be starting the next chapter of her life and is embracing the freedom to do what she wants when she wants, and at her own pace. Although not fully retiring, she is very much looking forward to a decent period not working at all and some of her retirement balance will come in really handy during this period of “down time”.

“Though I will really miss the great people I have worked with at Beca, I am really looking forward to the future (and to life as a semi-retiree!) - greatly assisted by the retirement savings nest egg I have accumulated through my membership of the Plan and the Scheme”.

Investment commentary

The content of this Investment commentary has been supplied by the Trustee's Investment Consultant, Ben Trollip of Melville Jessup Weaver

Year in review

The year ended 31 August 2023 was remarkable for the divergent performance seen across different asset sectors and markets.

Shares

The best performer was the United States share market and, in particular, US-listed companies in the technology sector. The S&P 500 Index (a measure of the largest public companies in the US) rose 14% over the twelve months, whereas the NASDAQ (a similar index, but more concentrated on technology companies) rose 19%.

By contrast, share markets in areas such as the UK (where the FTSE 100 Index was up just 2%) and China (where the Shanghai Composite Index fell 2%) were well off the pace.

What drove much of the growth in the US share market was enthusiasm surrounding generative artificial intelligence (e.g. ChatGPT) and a rush from investors to capitalise on this. Several large US technology stocks saw massive increases in their share prices as investors bet that they would be the main beneficiaries. Thus, while the overall US share market rose significantly, the gains were mostly shared among only a small handful of stocks.

More broadly, sentiment for most of the period can be described as positive (counterintuitively, given the dampening effects of higher interest rates). In the US and elsewhere, it became apparent during the year that inflation rates, while still running at high levels, were beginning to reduce. Investment markets are all about predicting the future and so, as the outlook brightened, asset values took off. This came despite several bank failures in the US and Europe, such as those of Silicon Valley Bank and Credit Suisse. While these failures were catastrophic for those who had invested in those particular entities, the losses were well contained by regulators and did not create the kind of systemic panic which we saw in the 2008 Global Financial Crisis.

Domestically, the Official Cash Rate rose from 3% to 5.5% over the period, while the annual rate of inflation slowed to 5.6% over the 12 months ended 30 September 2023 (compared to 7.2% over the preceding 12-month period). As many economists noted, however, much of this decline was due to disinflation in goods prices - inflation in the service sector remained more persistent.

The local share market was about flat for the year, meaning investors in the S&P/NZX 50 Index were well behind those benefitting from the rise in US technology stocks.

Fixed income and cash

Turning to fixed income, it was a lacklustre year at best. Rising interest rates have a negative effect on existing bonds, and result in their market value falling, because the interest rates payable on those existing bonds become less attractive relative to the new (higher) interest rates on offer. Due to rising interest rates, most bond market indices ended the year with flat (or even slightly negative) results.

Cash investors fared better, and the cash index rose 4.7% for the 12-month period – the best annual result for some time in this sector.

Alternative assets

Negative pressure from rising interest rates flowed on to “bond proxies” – asset classes which investors had been substituting for fixed income as interest rates crashed to unprecedented low levels. Because of their defensive nature and high dividend streams, shares in companies operating in areas such as property and

infrastructure had benefitted from investors searching for yield. As the humble term deposit became more attractive again, however, some investors found they no longer needed to be in (relatively) risky property and infrastructure stocks. The resulting selling pressure led to poor short-term results from the listed property and infrastructure sectors.

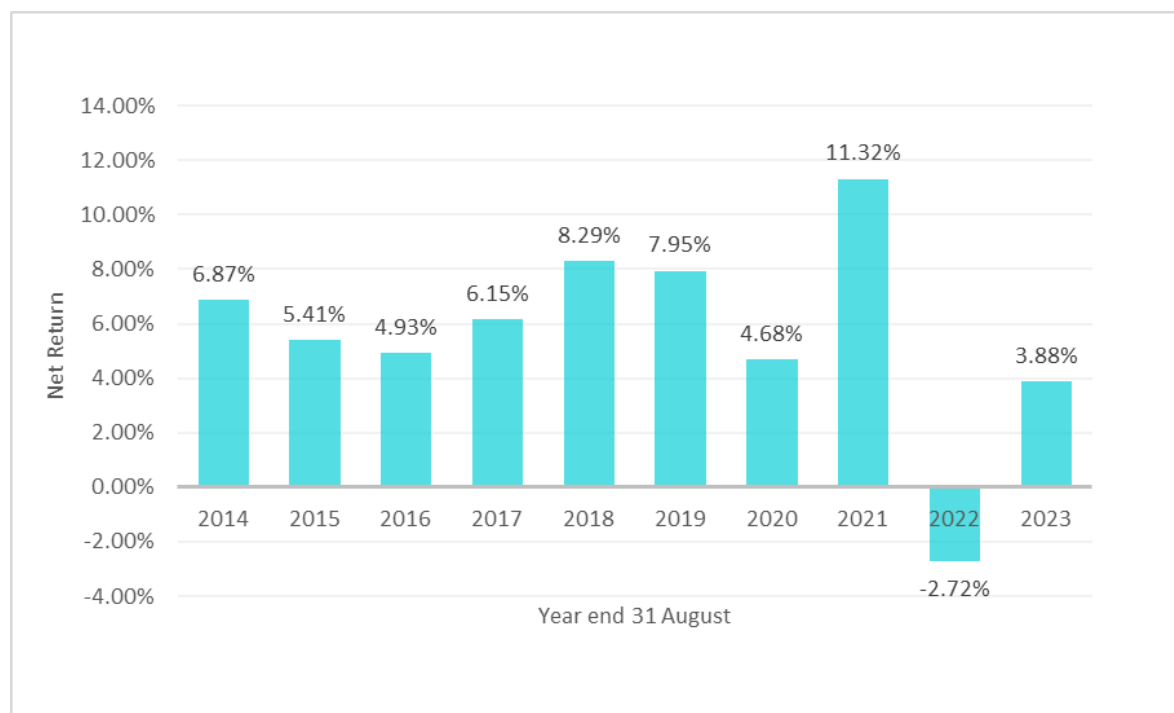
The Scheme’s overall return

In light of all this, the Scheme’s return of 3.88% (after charges and tax) is considered a solid result. The Scheme was conservatively positioned, with a higher than typical weighting to cash – the most defensive asset class, with less exposure to rising interest rates than bonds. However, the Scheme’s sizeable investments in “real assets” (property and infrastructure) were a drag on its performance for the year.

Overall, the Scheme’s underlying fund managers performed well. All but two of the managed funds into which Scheme assets were invested performed better than their market-based benchmarks over the financial year (and the two that underperformed only missed their market-based benchmarks by relatively small percentages).

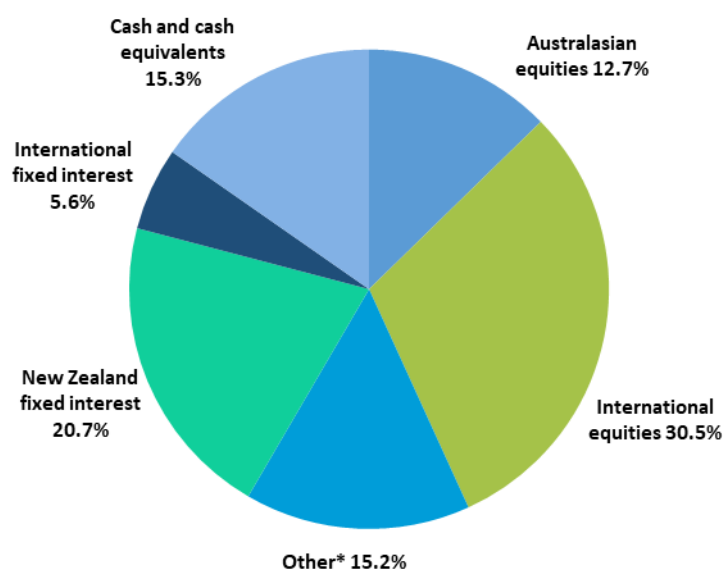
All figures quoted in this section are before charges and tax (unless otherwise noted).

Scheme’s net investment returns (after deductions for charges and tax) 2014-2023



Past returns are not necessarily a good indication of future returns. Returns will vary when measured over different periods.

Asset allocation as at 31 August 2023



*The term **Other** in this chart refers to international listed infrastructure assets and investments in managed investment products that do not fall within (or predominantly within) any other asset class or classes.

The above chart shows that growth assets (comprising the Australasian equities, international equities and “other” asset classes) comprised 58.4%, by value, of the Scheme’s investment portfolio as at 31 August 2023.

On 19 May 2023, the Trustee adopted a revised long-term benchmark (or target) asset allocation mix for the Scheme of 63% growth assets and 37% income assets (replacing the former benchmark mix of 50% growth assets and 50% income assets). This benchmark asset allocation mix now places the Scheme in the category of a “balanced growth” fund.

Since 19 May 2023 the Trustee has been progressively moving the Scheme’s actual asset allocation nearer the new 63% growth assets target, while carefully taking account of market conditions and risks in so doing.

Outlook

We would appear to be nearing the end of the interest rate hiking cycle in most major economies. However, risks remain. If inflation proves “sticky” then it may be that interest rates have to remain higher for longer. Indeed, in the weeks immediately following the financial year-end, investment markets retreated somewhat on this very worry.

Nevertheless, prevailing higher interest rates do augur positively for investment returns over the medium and long term. Higher interest rates translate directly into better returns from new bond investments and from cash. Similarly equities, which investors demand a premium for holding, are likely to benefit over the long term from a higher interest rate base.

Of course, this will not hold true in all periods. In the short term, unforeseen events can temporarily derail markets. Particular points of concern at the moment include the conflicts in Ukraine and the Middle East, and relatively heightened tensions between China and the US.

Therefore, while we are optimistic for future returns, one should be prepared to weather short-term volatility.

Statutory Information

Details of scheme

This annual report has been prepared for the Beca Super Scheme (**Scheme**) for the year ended 31 August 2023. The manager and trustee of the Scheme is BGS Trustee Limited (**Trustee, we, or us**).

The Scheme is registered as an employer-related restricted workplace savings scheme.

A fund update for the Scheme (for the year ended 31 August 2023) was produced on 30 November 2023. The latest product disclosure statement for the Scheme is dated 19 May 2023 and is open for applications.

The latest financial statements for the Scheme (prepared as at 31 August 2023) and the auditor's report on those financial statements were lodged with the Registrar of Financial Service Providers on 15 December 2023.

The financial statements and auditor's report are available electronically by visiting the Schemes Register at www.disclose-register.companiesoffice.govt.nz, selecting *Search for a scheme*, entering and clicking on the Scheme name and then going to the *Documents* tab.

Information on contributions and scheme participants

This section provides a summary of changes in the membership of the Scheme over the year ended 31 August 2023.

Membership	31 August 2022	31 August 2023
Total contributing Scheme participants	673	737
Total non-contributing Scheme participants	17	22
Total Scheme participants	690	759

New members and member exits during the year ended 31 August 2023	
<i>New members:</i>	
Transfers from other schemes	0
Other new members	99
Total new members	99
<i>Member exits due to:</i>	
Retirement (including medical retirement)	1
Leaving service	26
Death/terminal illness	0
Transfers to other schemes	1
Redundancy	0
Other reasons	2
Total exits	30

Member accumulations	31 August 2022	31 August 2022
Total members' accumulations	\$88,327,891	\$97,235,622
Total members	690	759

Total contributions to the Scheme for the period	Total contributions during the period	Number of members to whom contributions related
Member contributions	\$5,201,305	767
Employer or other sponsor contributions	\$3,147,511	767
Member voluntary additional contributions	Nil	Nil
Total contributions	\$8,348,816	

Changes relating to the Scheme

Trust Deed amendments

There have been no amendments to the Trust Deed this year.

SIPO amendments

The Trustee's Statement of Investment Policy and Objectives (**SIPO**) was amended on 19 May 2023 so as to:

- move from a “moderate balanced” to a “balanced growth” investment strategy by revising the benchmark asset allocation mix and the permitted investment ranges (see the table below);
- adopt a revised (higher) medium-term real return objective;
- adopt a responsible investment policy which contemplates responsible investing principles (including environmental, social, and governance considerations) being taken into account in the investment policies and procedures of the Scheme;
- adopt replacement performance reporting benchmarks for the alternative assets sector; and
- make certain other (more minor) descriptive edits and updates.

Current benchmark asset collections

Since 19 May 2023 the benchmark asset allocation mix and permitted investment ranges for the Scheme have been as shown in this table:

Asset Class	Benchmark	Range
Australasian Equities	20%	10% - 30%
International Equities	30%	10% - 50%
Alternative Assets	13%	0% - 23%
Total Growth Assets	63%	40% - 80%
New Zealand Fixed Interest	15%	5% - 25%
International Fixed Interest	15%	5% - 25%
Cash and Cash Equivalents	7%	0% - 22%
Total Income Assets	37%	20% - 60%

The Trustee's Investment Consultant has advised that the Trustee's long-term benchmark (or target) asset allocation mix for the Scheme, being 63% growth assets and 37% income assets, places the Scheme in the category of a “balanced growth” fund.

Related party transactions

During the year ended 31 August 2023 there were no material changes to the nature or scale of related party transactions involving the Scheme and no new related party transaction certificates were issued. All related party transactions entered into during the year were on arm's-length terms.

Other information for particular types of managed funds

During the period, the following withdrawals were made from the Scheme:

Withdrawal type	Number of members who made the relevant withdrawal
Retirement (including medical retirement)	1
Leaving service	26
Redundancy	0
Death/terminal illness	0
First home and other permitted withdrawals	10
Transfers to other schemes	1
Permanent emigration	2
Total withdrawals	40

We applied a crediting rate of 3.88% (after deductions for charges and tax) to Scheme members' balances for the year ended 31 August 2023.

BGS Trustee Limited, as manager and trustee of the Scheme, states that:

- all the contributions required to be made to the Scheme in accordance with the terms of the Trust Deed have been made
- all the benefits required to be paid from the Scheme in accordance with the terms of the Trust Deed have been paid
- the market value of the Scheme property as at 31 August 2023 equaled the total value of benefits that would have been payable had all members of the Scheme ceased to be members at that date and had provision been made for the continued payment of all benefits being paid to members as at the balance date
- the market value of the portion of the Scheme's assets that was subject to the complying fund rules (i.e. held in locked-in accounts) as at 31 August 2023 was \$71,389,121 relating to 757 members
- the value of withdrawals made from locked-in accounts during the year ended 31 August 2023 was \$1,112,041.

Changes to persons involved in the scheme

The following changes to the Trustee Board occurred during the year:

- David Searle was appointed as a Trustee Director on 1 October 2022 and resigned effective 28 June 2023.
- Ian Fraser retired as a Trustee Director effective 30 November 2022.
- Anne Henry was appointed as a Trustee Director on 3 April 2023.
- Nick Edwards was appointed as a Trustee Director on 1 August 2023.

- Paul Drummond, Licensed Independent Trustee Director, retired effective 31 August 2023 (and Michelle Forster replaced Paul as Licensed Independent Trustee Director on 1 September 2023).

During the year there were no changes to the Administration Manager, the Securities Registrar or the Auditor for the Scheme.

During the year Mercer (N.Z.) Limited (**Mercer**) replaced Macquarie Asset Management (NZ) Limited (**Macquarie**) as one of the Scheme's underlying fund managers after Macquarie decided to retire as a manager of New Zealand retail and wholesale funds and was acquired by Mercer.

How to find further information

Further information relating to the Scheme is available on the Scheme Register at www.disclose-register.companiesoffice.govt.nz (select *Search for a scheme*, enter and click on the Scheme name and then go to the *Documents* tab). The Scheme Register contains copies of the Scheme's Trust Deed, SIPO and audited financial statements.

A copy of the Scheme's latest product disclosure statement dated 19 May 2023 is available on the Offer Register at www.disclose-register.companiesoffice.govt.nz (select *Search for an offer*, enter and click on the Scheme name and then go to the *Documents* tab). For a copy of the Scheme's latest annual fund update, select the *Investment options* tab.

You may also obtain copies of any of the above documents, as well as an estimate of your current benefits, by contacting us through the Scheme's Administration Manager (see details below).

There is no charge for any of the above information.

Contact details and complaints

The contact details for the Trustee and for Melville Jessup Weaver (which acts as the Administration Manager and Securities Registrar for the Scheme), and for any queries or complaints, are:

Karen Vernon
 Administrator
 Beca Super Scheme
 c/- Melville Jessup Weaver
 P O Box 4014
 Auckland 1140

Phone: 09 980 0531

Email: beca.super@mjlw.co.nz

If you wish to contact the Trustee Board directly then you can contact Melville Jessup Weaver as set out above. They will ensure that the Trustee Board is notified. Alternatively, you can contact the Chair through the Beca internal directory.

If you have a complaint about the Scheme or the Trustee, then you should first contact the Trustee through Melville Jessup Weaver as set out above. We have an internal complaints process and will investigate any complaint promptly, thoroughly and fairly. You may contact us to make a complaint by telephone, by email or in writing.

If you have complained to the Trustee and reached the end of our internal complaints process without your complaint being resolved, you may refer the matter to the independent disputes resolution scheme operated by Financial Services Complaints Limited (**FSCL**) – A Financial Ombudsman Service, by emailing complaints@fscl.org.nz or calling FSCL on 0800 347 257.

Alternatively, you may write to FSCL at:

Financial Services Complaints Limited

101 Lambton Quay
PO Box 5967, Lambton Quay
Wellington 6140

Full details of how to access FSCL can be found on their website www.fscl.org.nz.

FSCL is an independent external ombudsman and disputes resolution service approved for the purposes of the Financial Service Providers (Registration and Dispute Resolution) Act 2008. Neither we nor FSCL will charge you a fee to investigate or resolve a complaint.

Management of your affairs

Enduring Powers of Attorney

None of us like to think that a time may come when we are unable to take care of our personal and financial affairs because of illness or injury. However, if you set up an Enduring Power of Attorney (**EPA**) you will have better control over what happens.

An EPA is a legal document empowering someone you trust (who is called your “attorney”) to make decisions on your behalf if you lose the ability to make decisions yourself.

There are two different types of EPA:

- an EPA for **personal care and welfare** gives your attorney the power to make decisions about your care such as how you should be looked after if you are unable to do it yourself – it only comes into effect when a health practitioner certifies or a court determines that you have lost your mental capacity to make such decisions; and
- an EPA for **property** gives your attorney the power to make decisions about how you would like your property and finances managed – you can decide whether this will take effect immediately or only if you lose your mental capacity.

When making decisions on your behalf, your attorney must follow any conditions or restrictions set out in the EPA.

Information about setting up an EPA is available on the **Age Concern** website, www.ageconcern.org.nz (select *Information and Support*, then *Money and legal*, then go to *Enduring Power of Attorney*). Alternatively, contact a solicitor or one of the trustee companies such as Public Trust or Trustees Executors.

Why is it important to have a Will?

Do you have a Will? People mainly use them to record family members they want to provide for if they die and how they want to distribute what they own. When you have made a valid Will, you decide who will administer your estate, how your assets will be distributed and who will look after any dependent children.

When someone dies without a Will, the Court will appoint an administrator. The assets of the person’s estate are then distributed according to the rules of the Administration Act 1969. This can cause significant delays in sorting out the estate, which in many cases will significantly delay the eventual distribution of the estate assets.

It is important to understand that when a person dies their bank will freeze any accounts that are not joint accounts. Even if you do have a Will, it can take 2 to 3 months for probate to be granted. If you do not have a Will the process can take much longer.

Furthermore, if you die without a Will, the distribution of your estate will be determined by intestacy laws and your Scheme benefit will not necessarily all go to your spouse or partner. If you have young children a significant portion may be tied up in trust for them. Some of it may be distributed to other family members.

Until probate is granted or the Court appoints an administrator the Trustee is not able to make payment of your benefits to your estate.

If you are relying on your Scheme benefit to take care of your family if you die while still a member of the Scheme, please ensure you have a valid Will to minimise the stress to your family.

Your super and a relationship break up

Your superannuation may comprise a significant portion of your assets. In the event of a separation or divorce, it is important that your solicitor contacts the Scheme's Administration Manager, Melville Jessup Weaver.

Directory

Trustee Board, Beca administration team and Investment Committee

Trustee	BGS Trustee Limited
Trustee Board	Chye Heng (Chair) Richard Aitken ONZM Nick Edwards Mark Fleming Michelle Forster (Licensed Independent Trustee Director since 1 September 2023) Anne Henry Professor Emeritus Jilnaught Wong (Independent Director)
Beca administration team	Mark Fleming (Executive Officer & Member Liaison) Chye Heng (Chair & Member Liaison) Natalie Heng (Trust Secretary & Investment Administration)
Investment Committee	Mark Fleming (Chair) Nick Edwards Chye Heng

External service providers

Superannuation Consultant	Melville Jessup Weaver
Administration Manager	Melville Jessup Weaver (Administrator, Member Liaison and Privacy Officer - Karen Vernon)
Fund Managers	Mercer (N.Z.) Limited Nikko Asset Management New Zealand Limited Salt Funds Management Limited Ironbark Asset Management Fund Services Limited
Investment Advisers	Forsyth Barr Limited Jarden Securities Limited
Investment Consultant	Ben Trollip, Melville Jessup Weaver
Group Life Insurer	Resolution Life
Auditor	Deloitte
Solicitors	Chapman Tripp
Tax Adviser	Baker Tilly Staples Rodway
Bankers	Westpac ANZ Bank