

Beca Super Scheme

Annual Report for the year ended 31 August 2024

Prepared for Beca Super Scheme Members

Issued by BGS Trustee Limited

December 2024



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Key Highlights

Crediting rate for year ended 31 August 2024: 10.26%

\$111

million in
Scheme assets

757

members

41

New members

\$5.57

Million in
benefits paid

\$9.36

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 2024.

Investment performance

The Scheme's investment return for the year ended 31 August 2024 was a strong 10.26% after charges and tax. This is pleasing to report given the challenging economic conditions of the past year. The Scheme's investment portfolio primarily benefited from its holdings in international and Australasian equities, as well as from a rebound in listed infrastructure stocks.

As noted in this year's *Investment Commentary* (see the later section), our Investment Consultant is somewhat cautious despite the strong recent returns, noting that there are risks to navigate. In particular, the recent US election, which saw the country swing to the Republicans in all three branches of government, means that geopolitics will likely play a larger part in markets' fortunes in the coming months. As always, investors should remain prepared to weather short-term volatility given the potential for unforeseen events to temporarily derail markets.

The second table in the *Investment Commentary*, 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 2024, illustrates the solid overall returns that the Scheme has achieved over that period.

Trustee Board changes

While there were no changes to the composition of the Trustee Board in the current year, Chye Heng stepped down as Board Chair with effect from 31 August 2024 and Mark Fleming was appointed as Chair effective 1 September 2024.

General

I wish to 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.

I would also like to acknowledge the efforts of Chye Heng as previous Chair. Chye has guided the Scheme through many challenges and investment market tumult, including during the COVID-19 pandemic. Chye remains a valuable and experienced Trustee Board member, and I look forward to his continued support of the Scheme.

Most importantly, thank you as a member of our Scheme as we look forward to 2025.

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

Mark Fleming
Chair - Beca Super Scheme

12 December 2024

Message from Michelle Forster, Licensed Independent Trustee Director



New Chair Mark Fleming (right) with Michelle Forster (Licensed Independent Trustee Director) and outgoing Chair Chye Heng.

Reflecting on New Zealand's retirement savings journey, we have come a long way as a country, with:

- NZ Super (originally National Super) having evolved significantly since its introduction in 1977; and
- more recently, the introduction and rapid growth of KiwiSaver.

NZ Super, New Zealand's universal pension, remains a primary source of retirement income for many New Zealanders and plays a crucial role in supporting the ageing population and fostering economic stability.

NZ Super is complemented by KiwiSaver, with individuals taking some of the responsibility for their retirement preparedness on top of government provision. KiwiSaver turned 17 this year and passed the \$110 billion milestone, with over 3.3 million people investing in it. For many, it is an easy and affordable way to save and invest for a first home and/or retirement.

Maintaining good savings habits throughout your working life (with regular contributions over the long term, and the effect of compound investment returns) can significantly improve your overall financial well-being. It is evident that to enjoy a more comfortable lifestyle in retirement, a combination of both NZ Super and KiwiSaver (or KiwiSaver-consistent) savings is required.

Through the KiwiSaver-integrated Beca Super Scheme, as well as directing its compulsory 3% employer contributions to the Scheme, Beca provides valuable additional employee benefits that are not offered by many other employers. These include:

- an additional 1% employer contribution, giving members added retirement security; and
- life insurance cover, giving members protection for themselves or their dependents if they die or become totally and permanently disabled while aged below 65 and in service as defined.

Over many years, both the Scheme and the Beca Group Superannuation Plan have been helping Beca employees pursue the important aim of saving for a comfortable retirement. It is pleasing, given the ongoing challenges in the wider investment environment, to see that over the year ended 31 August 2024 the Scheme and the Plan delivered commendable investment returns.

The Scheme and the Plan have a strong governance structure in place, and it is a privilege as your Licensed Independent Trustee Director to work with such an experienced and committed Trustee Board. You can be assured that your savings are being prudently managed and that the Scheme and Plan are well positioned to seek good long-term risk-adjusted benefits for members.

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 2024 saw robust returns across most investment markets despite challenging economic conditions. In fact, the term "despite" in that statement could just as easily be replaced with "because of." As economic growth slowed and inflation eased, central bankers began signalling in late 2023 that the era of persistently high interest rates was nearing its conclusion. The mere suggestion of more accommodative monetary conditions ignited a rally in investment markets that persisted through to the financial year-end.

Equities

Global equity markets rose over 20% on average, with the United States once again at the forefront. The S&P 500 Index, which tracks the largest publicly traded companies in the US, increased by 25% over the year, slightly trailing the tech-heavy NASDAQ Index, which led with a 26% gain.

Similar strong performance was observed worldwide, with Japan's equity market climbing 18% and Germany's by 19%. The UK equity market was weaker for some time but still achieved a 13% rise over the year.

China, however, continued to face challenges. The economy grappled with difficulties in the property sector and deflationary pressures, resulting in an annual GDP growth rate that fell to 4.7% in June and then to 4.6% in September. While this growth was relatively strong compared to developed economies, it fell short of the Chinese government's target of around 5%. Recently, significant monetary and fiscal stimulus measures have been announced in an effort to arrest the slowdown.

In New Zealand, the equity market lagged behind other developed markets, with our headline index increasing by 9%. A few large-cap companies, such as Fisher and Paykel Healthcare, drove most of these gains, while the mid-cap segment saw only modest rises.

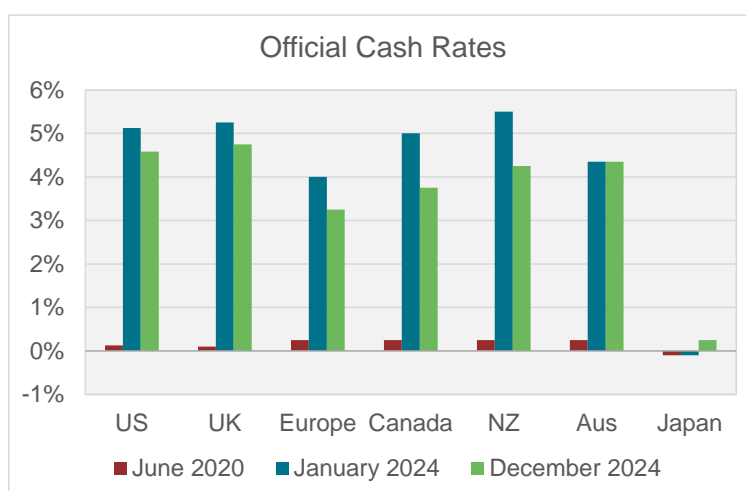
Fixed income and cash

Falling interest rates provided a short-term boost to fixed income investments, primarily due to mark-to-market gains on bonds. The New Zealand fixed interest market experienced a 9% gain for the financial year (matching our equity market), while the international fixed interest market rose 7% in fully hedged currency terms.

However, it's important to recognise that such mark-to-market gains are like a temporary "sugar rush." Ultimately, the returns from the fixed income sector gravitate toward the average yield earned. If bond yields are lower, long-term returns will also decline, all else being equal. Mark-to-market gains essentially bring future returns forward into the present.

Cash returns were robust while the Official Cash Rate (**OCR**) remained elevated, peaking at 5.5% for most of the financial year. However, in August the OCR began reducing and, as of writing, it stands at 4.25% (having reduced to that level following the Reserve Bank's meeting on 27 November 2024).

New Zealand is not alone in this trend; central bankers in the US, Canada, and Europe are also cutting cash rates. Yet, as the following chart illustrates, as of writing, monetary policy easing has been relatively modest so far. Cash rates generally remain well above the lows experienced in 2020, when COVID-19 lockdowns severely impacted the global economy.



Japan stands out as a notable exception, having raised its official rate to 0.25% after being in negative territory since January 2016.

Overall, while few analysts believe interest rates will return to near-zero levels, there is considerable debate regarding the level at which central bankers will ultimately conclude their rate-cutting cycles.

This situation reflects decreasing inflation rates, with our Consumer Price Index (**CPI**) increasing 2.2% in the year ended 30 September 2024. This placed CPI comfortably within the Reserve Bank's target range of 1-3%.

The Scheme's overall return

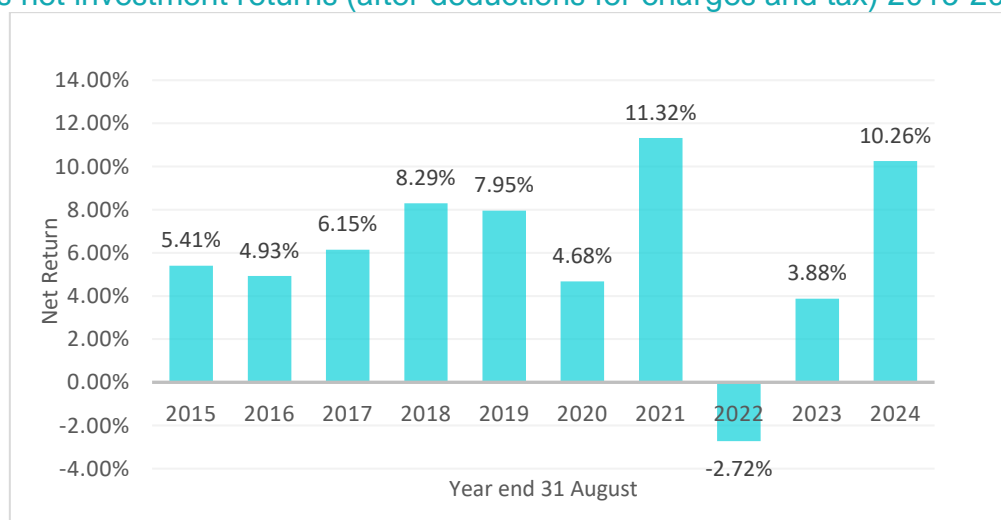
The Scheme achieved a solid return of 10.26% (after charges and tax) for the financial year ended 31 August 2024, which is commendable, particularly in light of inflation trending towards 2%.

The Scheme's asset allocation gradually moved during the year towards its long-term neutral position, with 62% invested in growth assets as at 31 August 2024, compared to a neutral target of 63%. Within growth assets, the portfolio had an underweight allocation to New Zealand equities and an overweight allocation to international listed infrastructure, reflecting the Trustee's positive outlook for global infrastructural investment activity.

In terms of income assets, the portfolio remained overweight in cash and other short-duration assets, indicating caution regarding the future trajectory of interest rates – i.e., the speed at which they will be reduced. Nevertheless, additional investments were made in international fixed interest funds throughout the financial year.

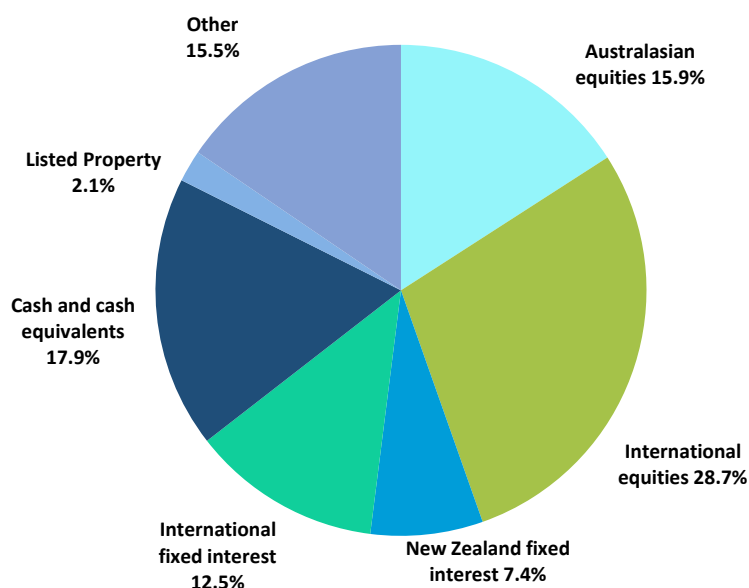
All figures in this section are presented before charges and tax unless otherwise specified.

Scheme's net investment returns (after deductions for charges and tax) 2015-2024



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 2024



*The term **Other** in this chart refers to investments in international listed infrastructure assets.

The above chart shows that growth assets (comprising Australasian equities, international equities, international listed infrastructure and listed property assets) comprised 62.2%, by value, of the Scheme's investment portfolio as at 31 August 2024.

The Scheme has a long-term benchmark (or target) asset allocation mix of 63% growth assets and 37% income assets, which places it in the category of a “**balanced growth**” fund.

Outlook

As of writing, it seems that the US Federal Reserve has successfully engineered an “immaculate” soft landing for the world's largest economy, with US economic growth and employment remaining relatively robust while inflation and interest rates are on the decline. As the US often serves as a bellwether for investment markets, if the Fed does indeed manage to “stick the landing”, we can expect generally favourable investment returns.

However, risks still loom large. Market volatility in both equities and bonds has been surprisingly low, and any indication that the economic outlook is less favourable could quickly shift market sentiment. There is additional uncertainty from a geopolitical point of view, with the US election handing power to the Republicans in all three branches of government. Donald Trump's rhetoric around trade and immigration in particular has caused worries across the US's trading partners.

Additionally, ongoing conflicts in Ukraine and the Middle East could escalate, resulting in significant humanitarian crises and further ramifications for the global economy.

Perhaps most concerning are the so-called “black swan” events—unforeseen occurrences that were previously deemed impossible. Historically, these events have had profound impacts on asset values but, by their very nature, they are unpredictable. Thus, while we maintain a cautiously optimistic outlook, we believe that having a well-diversified, professionally managed investment portfolio is essential for navigating the uncertainties ahead.

Statutory Information

Details of scheme

This annual report has been prepared for the Beca Super Scheme (Scheme) for the year ended 31 August 2024. 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 2024) was produced on 29 November 2024. The latest product disclosure statement for the Scheme is dated 12 December 2024 and is open for applications.

The latest financial statements for the Scheme (prepared as at 31 August 2024) and the auditor's report on those financial statements were lodged with the Registrar of Financial Service Providers on 9 December 2024.

The financial statements and auditor's report are available electronically by visiting the Scheme 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 2024.

Membership	31 August 2023	31 August 2024
Total contributing Scheme participants	737	729
Total non-contributing Scheme participants	22	28
Total Scheme participants	759	757

New members and member exits during the year ended 31 August 2024	
<i>New members:</i>	
Transfers from other schemes	0
Other new members	41
Total new members	41
<i>Member exits due to:</i>	
Retirement (including medical retirement)	3
Leaving service	34
Death/terminal illness	0
Transfers to other schemes	3
Redundancy	2
Other reasons	1
Total exits	43

Member accumulations	31 August 2023	31 August 2024
Total members' accumulations	\$97,235,622	\$111,139,879
Total members	759	757

Total contributions to the Scheme for the period	Total contributions during the period	Number of members to whom contributions related
Member contributions (including government contributions)	\$5,691,594	765
Employer or other sponsor contributions	\$3,666,158	765
Total contributions	\$9,357,752	

Changes relating to the Scheme

Trust Deed amendments

There were no amendments made to the Trust Deed for the Scheme during the year ended 31 August 2024. The Trust Deed was amended on 9 December 2024 in order to:

- extend from 5 years to 10 years after leaving service (as defined for Scheme purposes) the maximum period for which a member who is permitted and chooses to invoke the leaving service benefit deferrals facility may elect to retain their balance in the Scheme; and
- make other minor amendments for conformity with current relevant legislation and otherwise for the more efficient operation of the Scheme.

SIPO amendments

There were no amendments made to the Trustee's Statement of Investment Policy and Objectives (SIPO) during the year ended 31 August 2024.

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 2024 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)	3
Leaving service	34
Redundancy	2
Death/terminal illness	0
First home and other permitted withdrawals	15
Transfers to other schemes	3
Permanent emigration	1
Total withdrawals	58

We applied a crediting rate of 10.26% (after deductions for charges and tax) to Scheme members' balances for the year ended 31 August 2024.

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 2024 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 2024 was \$81,710,368 relating to 757 members
- the value of withdrawals made from locked-in accounts during the year ended 31 August 2024 was \$3,769,285.

Changes to persons involved in the scheme

During the year there were no changes to the Trustee Board, the Administration Manager, the Securities Registrar or the Auditor for the Scheme. There were also no changes to the Scheme's underlying fund managers.

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 12 December 2024 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**).

FSCL is the financial ombudsman service which acts as our independent dispute resolution scheme provider.

You can complain to FSCL by:

- **emailing** complaints@fscl.org.nz
- **calling** FSCL on 0800 347 257 (or +64 4 472 3725 if you are calling from overseas)
- completing FSCL's **online complaints form**, or
- downloading FSCL's **printable complaints form** and mailing it to FSCL (see address below).

Alternatively, you may write to FSCL at:

Financial Services Complaints Limited
PO Box 5967
Wellington 6140

For more details, see FSCL's website at www.fscl.org.nz.

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	<p>Chye Heng (Chair to 31 August 2024)</p> <p>Richard Aitken ONZM</p> <p>Nick Edwards</p> <p>Mark Fleming (Chair from 1 September 2024)</p> <p>Michelle Forster (Licensed Independent Trustee Director)</p> <p>Anne Henry</p> <p>Professor Emeritus Jilnaught Wong (Independent Director)</p>
Beca administration team	<p>Mark Fleming (Chair & Member Liaison)</p> <p>Chye Heng (Executive Officer & Member Liaison)</p> <p>Natalie Heng (Trust Secretary & Investment Administration)</p>
Investment Committee	<p>Mark Fleming (Chair)</p> <p>Nick Edwards</p> <p>Chye Heng</p>

External service providers

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