



NATIONAL SUPERANNUATION FUND

INTERIM CREDITING RATE POLICY

As at November 2020

This is Version 7.0

To be reviewed again by August 2021

DOCUMENT CONTROL

Document Owner

Name	Position
Judah Waffi & Fiona Nelson	Acting Chief Investment Officer

Change Record

Version	Author	Date	Change
1.0	Dominic Beange	23-Jul-15	Create Policy
2.0	David Brown	25-Oct-16	Update Policy
3.0	David Brown	28-Aug-17	Update Policy
4.0	David Brown	Feb 18	Update Policy
5.0	David Brown	June 2019	Update Policy
6.0	Judah Waffi	19-Aug-2020	Review Policy
7.0	J. Waffi & F. Nelson	18-Nov-2020	Review Policy

Approval

Name	Evidence
Investment Committee Meeting No. 58	Minutes of Committee Meeting of 18-Nov-20
Board Meeting No. 133	Minutes of Board Meeting 3-Dec-20

Publication

Site	Evidence
Annual Report	Included in Annual Report for 2017
Public section of NASFUND web site	Uploaded to web site on 12/02/2021

Submission of Interim Crediting Rate to BPNG

Version:	Date submitted:
Not required to be submitted	10-Apr-17

Submitted	24-Jul-19
-----------	-----------

LIST OF CONTENTS

Table of Contents

1. PURPOSE OF THE INTERIM CREDITING RATE POLICY

1. PURPOSE OF THE INTERIM CREDITING RATE POLICY 5

 1.1 The purpose of this policy..... 5

2. LEGISLATIVE REQUIREMENTS 5

 2.1 The primary legislative document 5

 2.2 The Trustee Board..... 5

3. WHAT IS A CREDITING RATE?..... 6

 3.1 At NASFUND..... 6

 3.2 The crediting rate (expressed as a percentage) is equal to 6

 3.3 The Fund applies an Annual Crediting Rate, based on the audited..... 6

4. WHAT IS AN INTERIM CREDITING RATE? 6

5. HOW IS THE INTERIM CREDITING RATE DETERMINED? 7

 5.1 The Trustee Board seeks to value the assets..... 7

 6.1 In line with international practice, the Licensed Fund Administrator applies the Interim Crediting Rate using a time weighted rate of return basis. (For a worked example of how this is done, see Appendix 1). 7

7. MEMBER EQUITY AND FAIRNESS..... 7

 7.1 The Trustee Board recognizes that any Interim Crediting Rate must be fair to all members 7

 7.2 **Estimation**..... 7

 7.3 **Frequency**. 8

8. REVIEW OF THIS POLICY..... 8

 8.1 This Interim Crediting Rate Policy will be reviewed regularly 8

1. PURPOSE OF THE INTERIM CREDITING RATE POLICY

1.1 The purpose of this policy is to provide a framework for the Trustee Directors when determining the Interim Crediting Rate.

2. LEGISLATIVE REQUIREMENTS

2.1 The primary legislative document governing the superannuation industry is the Superannuation (*General Provisions*) Act 2000 (as amended).

2.2 The Trustee Board is also required to adhere to various Prudential Standards and in relation to Interim Crediting Rates, the *Superannuation Prudential Standard 1/2014* Authorised Superannuation Fund Investments (PS 1/2014) refers. Paragraph 17 (a – d) refers in detail.

2.2.1 PS 1/2014 Paragraph 17 (a) states that “Trustee Board must develop and document an Interim Crediting Rate Policy, in consultation with the Licensed Investment Manager, for the members who exit the ASF before the final crediting rate has been approved, must be included in the Investment Framework.”

2.2.2 PS 1/2014 Paragraph 17 (b) states that “The Interim Crediting Rate must be fair and equitable for all the members of the ASF, including the exiting, current and prospective members.”

2.2.3 PS 1/2014 Paragraph 17 (c) states that “The Interim Crediting Rate must be reviewed on a regular basis (at least annually).”

2.2.4 PS 1/2014 Paragraph 17 (d) states that “The Interim Crediting Rate Policy must be published in the Annual Report to members and the public section of each ASF’s web site.”

3. WHAT IS A CREDITING RATE?

- 3.1 At NASFUND, members' superannuation investment return is determined by a crediting rate.
- 3.2 The crediting rate (expressed as a percentage) is equal to the investment earnings of the Fund less tax and costs after allowing for any reserves. (Reserves are funded by small reductions in the Annual Crediting Rate. See the Fund's *Reserving Management Policy* for details).
- 3.3 The Fund applies an Annual Crediting Rate, based on the audited financial accounts for the year. This usually occurs in Quarter 1 of the following year.
- 3.4 The Annual Crediting Rate applies to all members who were members of the fund for the past financial year.

4. WHAT IS AN INTERIM CREDITING RATE?

- 4.1 The Trustee Board recognizes that some members leave the Fund during the year and that earnings accrue at varying rates through the year due to investment market moves.
- 4.2 Accordingly, the Trustee Board estimates an Interim Crediting Rate from time to time throughout the year. The Interim Crediting Rate is a notional return that can be applied to member accounts during the current financial year period.
- 4.2.1 This Interim Crediting Rate is applied and paid only to member accounts of those members leaving the fund.
- 4.2.2 While this can be applied at any time, should market moves be of sufficient magnitude to require it, the fund may restate its Annual Crediting Rate.
- 4.2.3 The Trustee Board formally requires the Investment Committee at each of its scheduled meetings throughout the year to consider any requirement to change the Interim Crediting Rate.

5. HOW IS THE INTERIM CREDITING RATE DETERMINED?

- 5.1 The Trustee Board seeks to value the assets of the Fund as often as practical, in order to reflect fair values to member balances. However, the nature of unlisted assets means that valuation changes are usually only reflected in asset values once a year.
- 5.2 In determining the Interim Crediting Rate, the trustee considers the potential estimates of how returns are performing for the year and the Investment Committee considers the CFO and CIO's forecast Annual Crediting Rate. The trustee is conscious that exiting member's might be unfairly advantaged if the Interim Crediting Rate applied to the existing member's account turns out to be substantially higher than the Annual Crediting Rate applied for the full year. Accordingly, the Interim Crediting Rate will be estimated slightly conservatively to avoid exiting members gaining an unfair advantage.
- 5.3 If the trustee determines there is a change in the Interim Crediting Rate from the previous period, the Licensed Fund Administrator is then advised of the Interim Crediting Rate to be applied to member accounts of members leaving.

6. HOW IS THE INTERIM CREDITING RATE APPLIED?

- 6.1 In line with international practice, the Licensed Fund Administrator applies the Interim Crediting Rate using a time weighted rate of return basis. (For a worked example of how this is done, see Appendix 1).

7. MEMBER EQUITY AND FAIRNESS

- 7.1 The Trustee Board recognizes that any Interim Crediting Rate must be fair to all members of the fund, including current, exiting and prospective members and uses the following:
- 7.2 **Estimation.** The Trustee Board believes that estimating current period returns as the basis for that period's crediting rate is the best way to ensure member equity and fairness.

7.3 Frequency. The Trustee Board recognizes more frequent crediting rates improve member equity and fairness, and seek to balance the costs of more frequent valuations against the benefits of more frequent crediting rates.

8. REVIEW OF THIS POLICY

8.1 This Interim Crediting Rate Policy will be reviewed regularly and such a review will be done at least annually.

APPENDIX 1: EXAMPLE OF TIME WEIGHTED RATE OF RETURN CALCULATION

A. INTEREST ON OPENING BALANCE (Opening Balance * Interest Rate)

Interest Rate	8.50%
Opening Balance	K6,820.16
Interest on Opening Balance	K579.71

This is the Year Closing Balance

ADD

B. CONTRIBUTIONS AND INTEREST RECEIVED DURING THE YEAR

Individual Contributions * No. of days Left/365 * Interest Rate

These are the monthly contributions for year two

(You have to work out each month's contribution)

	Month	Date Paid	Days Left	Member	Employer	Total	Interest Earned Per Month
1	January	31 January	334	K60.00	K84.00	K144.00	K11.20
2	February	28 February	306	K60.00	K84.00	K144.00	K10.26
3	March	31 March	275	K60.00	K84.00	K144.00	K9.22
4	April	30 April	245	K60.00	K84.00	K144.00	K8.22
5	May	31 May	214	K60.00	K84.00	K144.00	K7.18
6	June	30 June	184	K60.00	K84.00	K144.00	K6.17
7	July	31 July	153	K60.00	K84.00	K144.00	K5.13
8	August	31 August	122	K60.00	K84.00	K144.00	K4.09
9	September	30 September	92	K60.00	K84.00	K144.00	K3.09
10	October	31 October	61	K60.00	K84.00	K144.00	K2.05
11	November	30 November	31	K60.00	K84.00	K144.00	K1.04
12	December	31 December	10	K60.00	K84.00	K144.00	K0.34
			Total Interest Earned on Monthly Contributions over year Two			K1,728.00	K67.97

A + B

Overall Interest Earned from the 8.5%	A = K 579.71 B = K 67.97	K647.69	<i>Year Two Closing Balance after crediting of interest:</i>	K9,195.85
--	-------------------------------------	----------------	--	------------------