



NATIONAL SUPERANNUATION FUND LTD

Interim Crediting Rate Policy 2023



DOCUMENT CONTROL

Document Owner

Name	Position
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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 & Fiona J Nelson	19-Aug-2020	Review Policy
7.0	Fiona J Nelson	20-Jun-2022	Review Policy
8.0	Fiona J Nelson	21-Jun-2023	Review

Approval

Committee/Board	Evidence
Investment Committee Meeting No. 78	Minutes of Committee Meeting of 21-Jun-23
Board Meeting No. 151	Minutes of Board Meeting 6-Jul-23

Current Revised Policy Sign Off

Approved	Title	Signature	Date
Tamzin Wardley	Chairwoman		18/7/23
Rajeev Sharma	CEO		18 07 23

Submission of Liquidity Management Policy to BPNG

Version:	Date submitted:
Not required to be submitted	10-Apr-17
Submitted	24-Jul-19
Submitted	03-Dec-20
Submitted	

Contents

1. PURPOSE OF THIS POLICY	4
2. LEGISLATIVE REQUIREMENTS.....	4
3. TARGET ASSETS COVERED BY THIS POLICY	4
4. WHAT IS AN INTERIM CREDITING RATE?.....	5
5. HOW IS THE INTERIM CREDITING RATE DETERMINED?.....	5
6. HOW IS THE INTERN CREDITING RATE APPLIED?	6
7. MEMBER EQUITY AND FAIRNESS	6
8. REVIEW OF THIS POLICY	6
9. APPENDIX 1: EXAMPLE OF TIME WEIGHTED RATE OF RETURN CALCULATION...	7

1. PURPOSE OF THIS POLICY

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

2. LEGISLATIVE REQUIREMENTS

- i. The primary legislative document governing the superannuation industry is the Superannuation (General Provisions) Act 2000 (as amended).
- ii. 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.
 - a. 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.”
 - b. 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.”
 - c. PS 1/2014 Paragraph 17 (c) states that “The Interim Crediting Rate must be reviewed on a regular basis (at least annually).”
 - d. 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. TARGET ASSETS COVERED BY THIS POLICY

- i. At Nasfund, members’ superannuation investment return is determined by a crediting rate.
- ii. 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).

- iii. 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.
- iv. The Annual Crediting Rate applies to all members who were members of the fund for the past financial year and remain members when the Annual Crediting Rate is declared.

4. WHAT IS AN INTERIM CREDITING RATE?

- i. 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.
- ii. Accordingly, the Trustee Board estimates an Interim Crediting Rate throughout the year at each Investment Committee Meeting. The Interim Crediting Rate is a notional return that can be applied to member accounts during the current financial year period.
 - a. This Interim Crediting Rate is applied and paid only to member accounts of those members leaving the Fund.
 - b. While this can be applied at any time, should market moves be of sufficient magnitude to require it, the Fund may restate its Interim Crediting Rate.
 - c. The Trustee Board formally requires the Investment Committee at each of its scheduled meetings throughout the year to consider whether to change the Interim Crediting Rate and has delegated authority to the Investment Committee to implement such changes as soon as practicable.

5. HOW IS THE INTERIM CREDITING RATE DETERMINED?

- i. 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.
- ii. 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 COO and GMI's forecast Annual Crediting Rate. The trustee is conscious that exiting members might be unfairly advantaged if the Interim Crediting Rate applied to the exiting 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.

- iii. If the trustee Investment Committee determines there is a change in the Interim Credit 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 INTERN CREDITING RATE APPLIED?

- i. 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

- i. 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 principals;
 - a. **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.
 - b. **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

This Interim Crediting Rate Policy will be reviewed at least annually.

9. APPENDIX 1: EXAMPLE OF TIME WEIGHTED RATE OF RETURN CALCULATION

INTEREST ON OPENING BALANCE (Opening Balance * Interest Rate)

A.

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

This is the Year One Closing Balance

ADD

CONTRIBUTIONS RECEIVED DURING THE YEAR

B.

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 Jan	334	K60.00	K84.00	K144.00	K11.20
2 February	28 Feb	306	K60.00	K84.00	K144.00	K10.26
3 March	31 Mar	275	K60.00	K84.00	K144.00	K9.22
4 April	30 Apr	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 Jun	184	K60.00	K84.00	K144.00	K6.17
7 July	31 Jul	153	K60.00	K84.00	K144.00	K5.13
8 August	31 Aug	122	K60.00	K84.00	K144.00	K4.09
9 September	30 Sep	92	K60.00	K84.00	K144.00	K3.09
10 October	31 Oct	61	K60.00	K84.00	K144.00	K2.05
11 November	30 Nov	31	K60.00	K84.00	K144.00	K1.04
12 December	21 Dec	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 67.98	K647.69	<i>Year Two Balance after crediting of interest:</i>	K9,195.85
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