



NATIONAL SUPERANNUATION FUND

INTERIM CREDITING RATE POLICY 2024

This is Version 9.0

To be reviewed June 2025

19-07-2024
19-07-2024

19-07-2024

DOCUMENT CONTROL

Document Owner

Name	Position
Fiona J Nelson	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 & 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
9.0	Fiona J Nelson	21-Jun-2024	Review

Approval

Name	Evidence
Investment Committee Meeting No. 86	Minutes of Committee Meeting of 19-Jun-24
Board Meeting No. 157	Minutes of Board Meeting 11-Jul-24

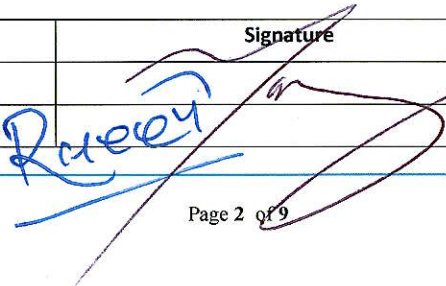
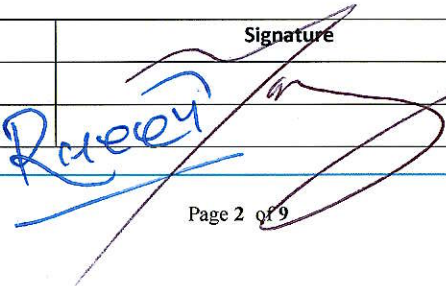
Publication

Site	Evidence
Annual Report	Included in Annual Report for 2023
Public section of NASFUND web site	Uploaded to web site on September 2023

Submission of Interim Crediting Rate to BPNG

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

Sign-off

Name	Signature	Date
Tamzin Wardley, Chair		16.07.2024
Rajeev Sharma, CEO		16.07.2024

LIST OF CONTENTS

Table of Contents

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

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) applies. Paragraph 17 (a – d) of PS 1/2014 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 and remain members when the Annual Crediting Rate is declared.

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 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.
 - 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 revise its Interim Crediting Rate.
 - 4.2.3 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?

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 Chief Investment Officer'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.

5.3 If the trustee Investment Committee 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 The Investment Committee in consultation with the Chief Investment Officer and the Licensed Investment Manager will conduct an annual review of this policy for on-going relevance and effectiveness.

8.2 The Board will consider and approve any amendments to this policy that stem from the review. .

APPENDIX 1: EXAMPLE OF TIME WEIGHTED RATE OF RETURN CALCULATION

INTEREST ON OPENING BALANCE

A. **(Opening Balance * Interest Rate)**

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

This is the Year One 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		Member	Employer	Total	Interest Earned Per Month
		Days Left				
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
A + B					K1,728.00	K67.98
Overall Interest Earned from the 8.5%		A = K 579.71 B = K 67.98	K647.69		<i>Year Two Closing Balance after crediting of interest:</i>	K9,195.85