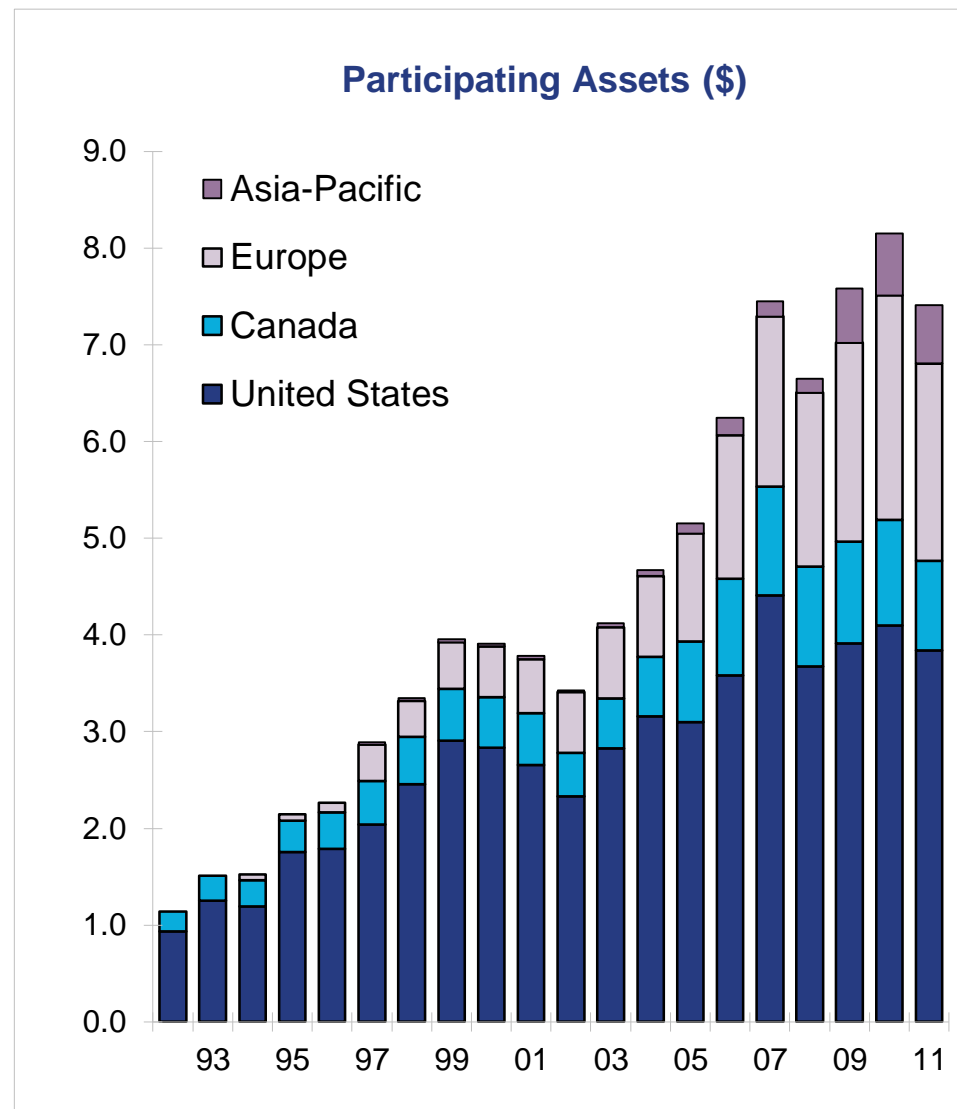


This benchmarking report compares your cost and return performance to CEM's extensive pension database.

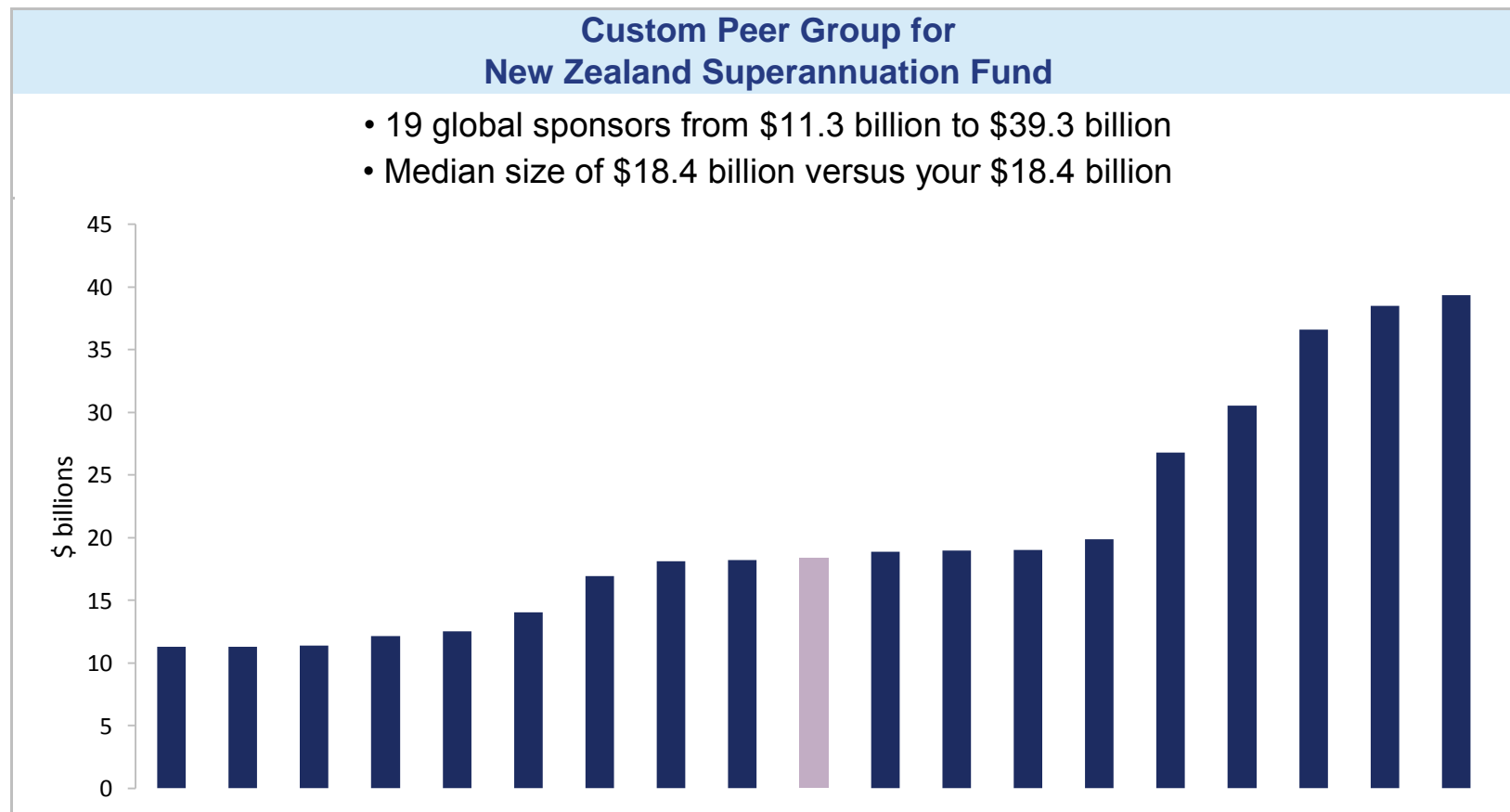
- 168 U.S. funds participate with assets totaling \$3.8 trillion.
- 75 Canadian funds participate with assets totaling \$928billion.
- 36 European funds participate with aggregate assets of \$2,039 billion. Included are funds from the Netherlands, Norway, Sweden, Finland, Denmark and the U.K.
- 8 Asia-Pacific funds participate with aggregate assets of \$602 billion. Included are funds from the Australia and New Zealand.

The most meaningful comparisons for your returns and value added are to the Global universe.



- New Zealand Superannuation Fund

The most valuable comparisons for cost performance are to your custom peer group because size impacts costs.



The names of the above fund sponsors in your peer group are confidential and may not be disclosed to third parties. All other information in this report is confidential and may not be disclosed to third parties without the express written mutual consent of CEM Benchmarking Inc and New Zealand Superannuation Fund.

What gets measured gets managed, so it is critical that you measure and compare the right things:

1. Policy Return

How did the impact of your policy mix decision compare to other funds?

2. Net Value Added

Are your implementation decisions (i.e., the amount of active versus passive management) adding value?

3. Costs

Are your costs reasonable? Costs matter and can be managed.

4. Cost Effectiveness

Net implementation value added versus excess cost.
Does paying more get you more?

5. Risk

How much risk was taken to obtain your value added?
What is the risk of your policy mix?

Your 5-year total return of 2.2% was below the Global median of 2.5%.

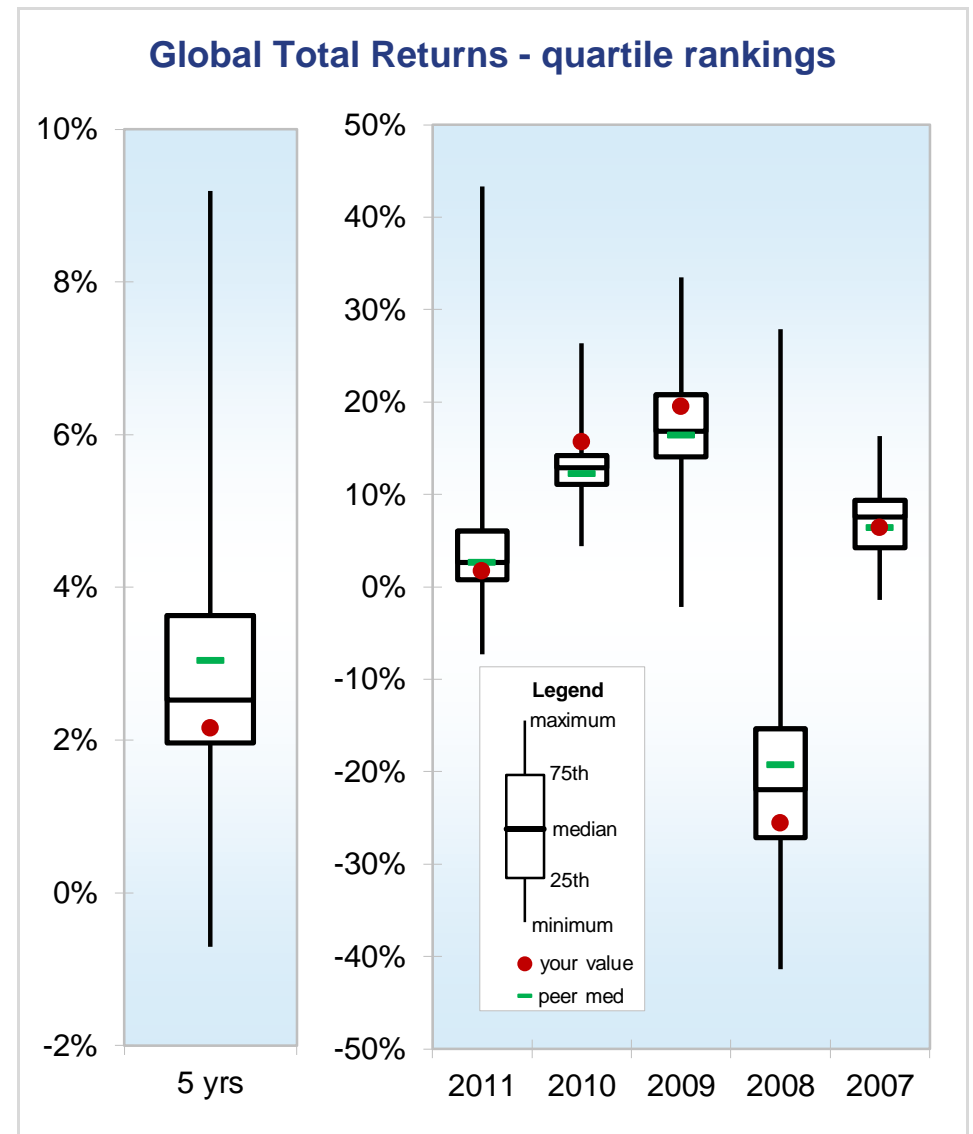
Total returns, by themselves, provide little insight into the reasons behind relative performance. Therefore, we separate total return into its more meaningful components: policy return, cost and value added.

	Your 5-yr
Total Fund Return	2.2%
- Policy Return	1.1%
- Cost	0.6%
= Net Value Added	0.5%

This approach enables you to understand the contribution from both policy mix decisions (which tend to be the board's responsibility) and implementation decisions (which tend to be management's responsibility).

Actual and policy returns have been converted to your currency using unhedged currency returns.

Returns are reported in local currency.



1. Policy Return

Your 5-year policy return of 1.1% was below the Global median of 2.3%

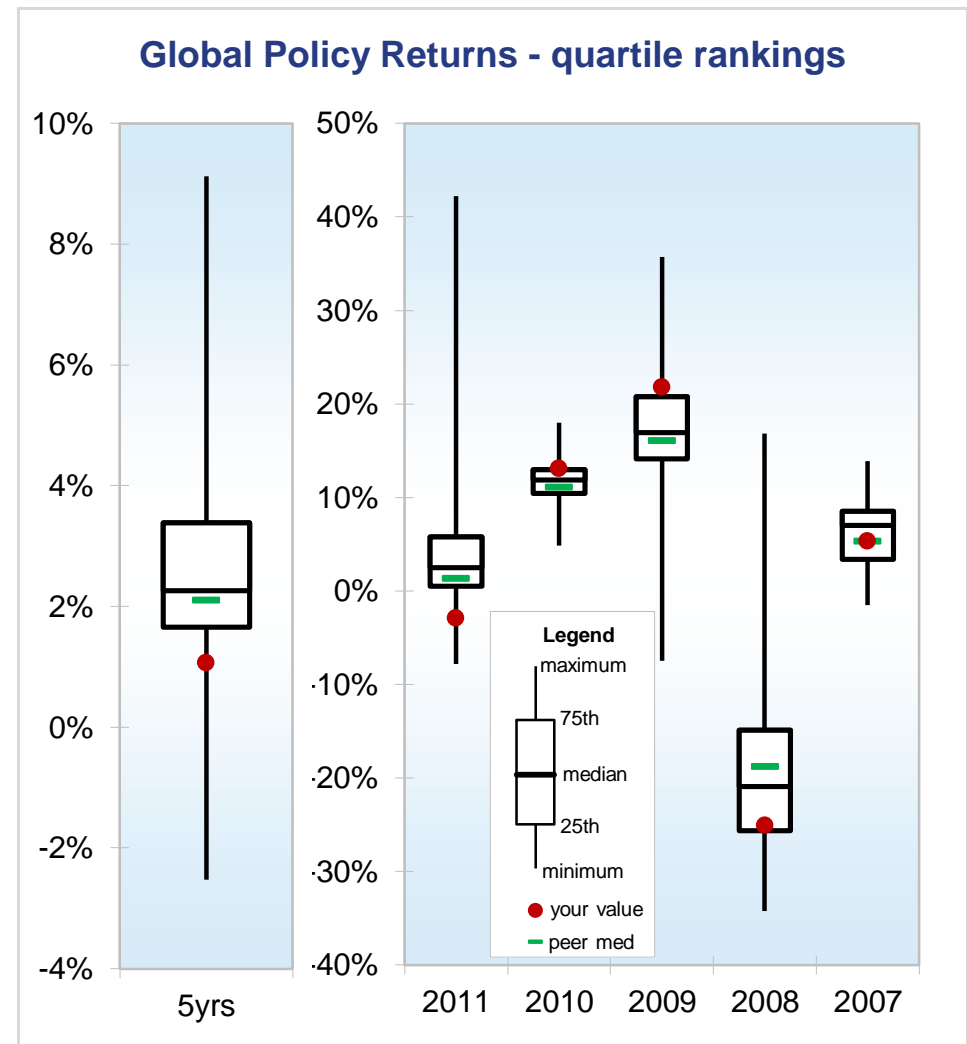
Your policy return is the return you could have earned passively by indexing your investments according to your policy mix.

Having a higher or lower relative policy return is not necessarily good or bad. Your policy return reflects your investment policy, which should reflect your:

- Long term capital market expectations
- Liabilities
- Appetite for risk

Each of these three factors is different across funds. Therefore, it is not surprising that policy returns often vary widely between funds.

The median 5-year policy return of your peers was 2.1%.



At the end of 2011 your policy mix compared to your peers and the Global universe as follows.

Notable differences include:

- You had more stock. Your 75% weight compares to a peer average and a global average of 48%.
- You had less fixed income. Your 20% weight compares to a peer average of 34% and a global average of 38%. Also, your mix of fixed income had less long bonds. On average, both your peers and the global universe had an 11% policy weight for long bonds.
- You had lower weights for hedge funds - your 0% versus a peer average of 3%.
- You had lower weights for private equity - your 0% versus a peer average of 5%.

Policy Mix	2011		
	Your Fund	Peer Avg.	Global Avg.
Asset Class			
U.S. Stock	0%	8%	18%
EAFE Stock	5%	7%	8%
Global Stock	70%	15%	9%
Other Stock	<u>0%</u>	<u>17%</u>	<u>13%</u>
Total Stock	75%	48%	48%
Long Bonds	0%	7%	11%
Capital Indexed Bonds	0%	4%	2%
Other Fixed Income	<u>20%</u>	<u>23%</u>	<u>25%</u>
Total Fixed Income	20%	34%	38%
Hedge Funds	0%	3%	3%
Commodities	0%	1%	1%
Real Estate and REITS	5%	6%	5%
Other Real Assets ¹	0%	3%	1%
Private Equity	0%	5%	4%
Total	100%	100%	100%

Other real assets includes natural resources and infrastructure.

Your fund uses derivatives, to gain exposure to some asset classes.

For the purposes of comparing your costs and value added to other participants, CEM looks at investments before the impact of derivatives. This allows us to compare, for example, the cost of the global stock assets in your plan to similar assets in your peers' plans. Our report will reflect your assets as they appear in the middle column - before derivatives.

Asset Class	2011		
	Policy Weight	Actual weights excluding derivatives	Actual weights including derivatives
U.S. Stock	0%	1%	1%
EAFE Stock	5%	5%	5%
Emerging Market Stock	0%	5%	7%
Global Stock	70%	10%	46%
Other Stock	<u>0%</u>	<u>0%</u>	<u>0%</u>
Total Stock	75%	22%	60%
Global Bonds	20%	7%	7%
Capital Indexed Bonds	0%	0%	0%
Cash	0%	32%	-6%
Other Fixed Income	<u>0%</u>	<u>1%</u>	<u>1%</u>
Total Fixed Income	20%	41%	3%
Hedge Funds	0%	11%	11%
Natural Resources	0%	7%	7%
Commodities	0%	0%	0%
Infrastructure	0%	9%	9%
REITs	5%	4%	4%
Real Estate ex-REITs	0%	2%	2%
Private Equity	0%	4%	4%
Total	100%	100%	100%

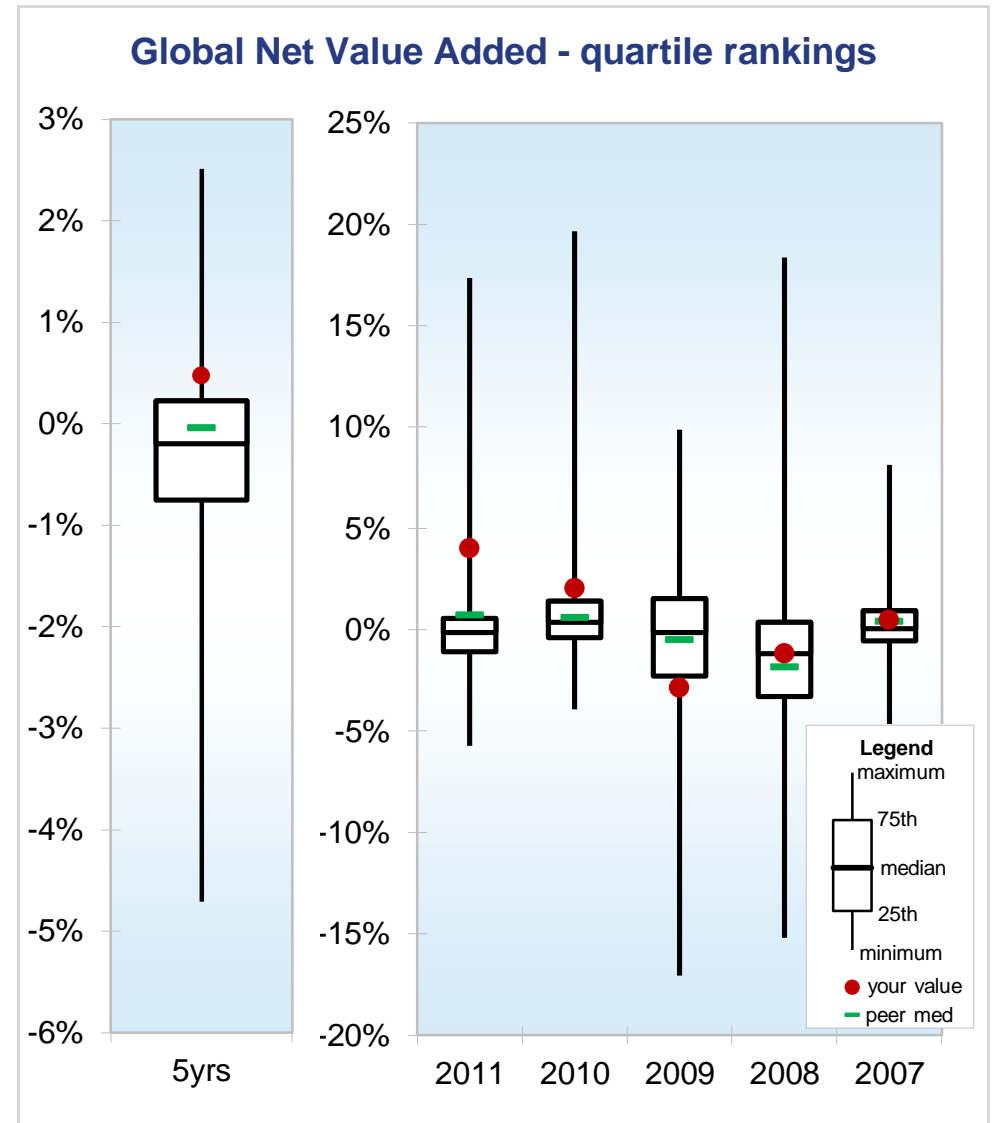
2. Net Value Added

Net value added is the component of your total return from active management. Your 5-year net value added was 0.5%.

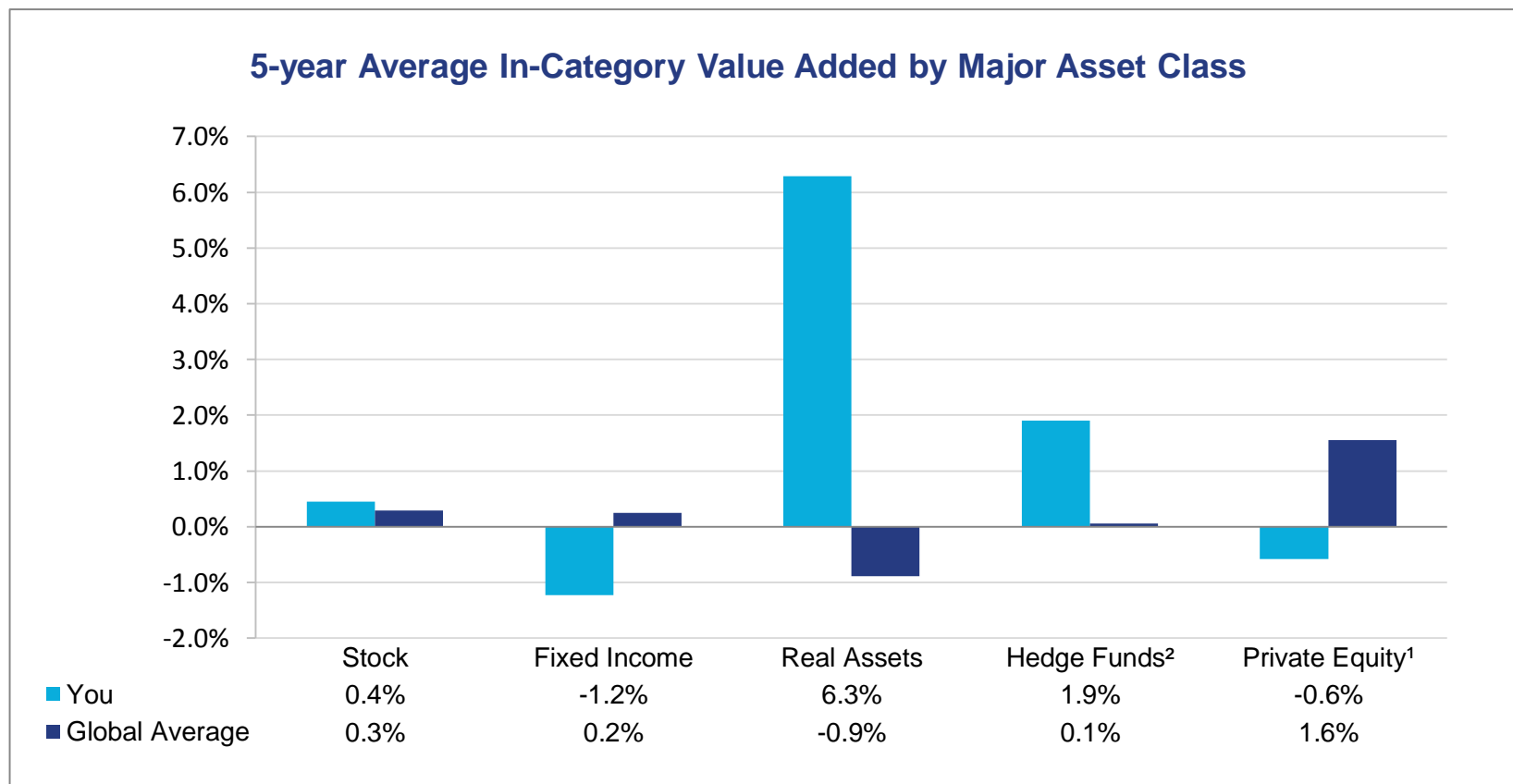
Net value added equals total return minus policy return minus costs.

New Zealand Superannuation Fund				
Year	Total return	Policy return	Cost	Net Value Added
2011	1.7%	(2.9)%	0.6%	4.0%
2010	15.6%	13.1%	0.5%	2.0%
2009	19.5%	21.8%	0.6%	(2.9)%
2008	(25.6)%	(25.1)%	0.7%	(1.2)%
2007	6.4%	5.3%	0.6%	0.5%
5-year	2.2%	1.1%	0.6%	0.5%

Your 5-year net value added of 0.5% compares to a median of 0.0% for your peers and -0.2% for the Global universe.



You had positive 5-year value added in stock, real assets and hedge funds².



1. Private equity value added is net whereas the other asset classes are gross.

2. Comparisons of value added for private equity and hedge funds must be interpreted with caution because the types of investments and benchmarks can be extremely varied. It may be more useful to compare total returns. Your 5-year return of 7.3% for private equity was above the Global average of 6.3%. Your 5-year return of 0.5% for hedge funds was below the Global average of 2.9%.

3. Costs

Your asset management costs in 2011 were \$110.2 million or 60.0 basis points.

Your Investment Management Costs (\$000s)								
	<u>Internal</u>		<u>External Passive</u>		<u>External Active</u>			Total
	Passive	Active	Fees	Monitoring & Other	Base Fees	Perform. Fees ²	Monitoring & Other	
Stock - U.S.					1,221		152	1,373
Stock - Europe & Far East	279				2,303		606	3,187
Stock - Emerging			640	200	3,019		698	4,557
Stock - Global			434	400	3,505		1,204	5,543
Stock - Other	17							17
Fixed Inc. - Europe & Far East	87							87
Fixed Income - Global			341	150	1,277		829	2,597
Inflation Indexed Bonds	43							43
Fixed Income - Other	60				1,929		68	2,057
Cash		3,499						3,499
Hedge Funds - Direct					24,450		1,648	26,098
REITs			213	629				841
Real Estate					1,250		529	1,779
Real Estate - LPs					4,574		166	4,740
Infrastructure					11,302		2,048	13,350
Infrastructure - LPs					1,000		22	1,022
Natural Resources		500			4,214		1,049	5,764
Diversified Private Equity					9,548		758	10,306
Diversified Priv. Eq.- Fund of Funds					3,354 ¹			3,354
Other Private Equity					2,108		801	2,908
Overlay Programs		2,946						2,946
Total investment management costs							52.3bp	96,065
Oversight of the fund								8,156
Trustee & custodial								5,356
Audit								293
Other								303
Total oversight, custodial & other costs							7.7bp	14,107
Total asset management costs							60.0bp	110,172

Notes

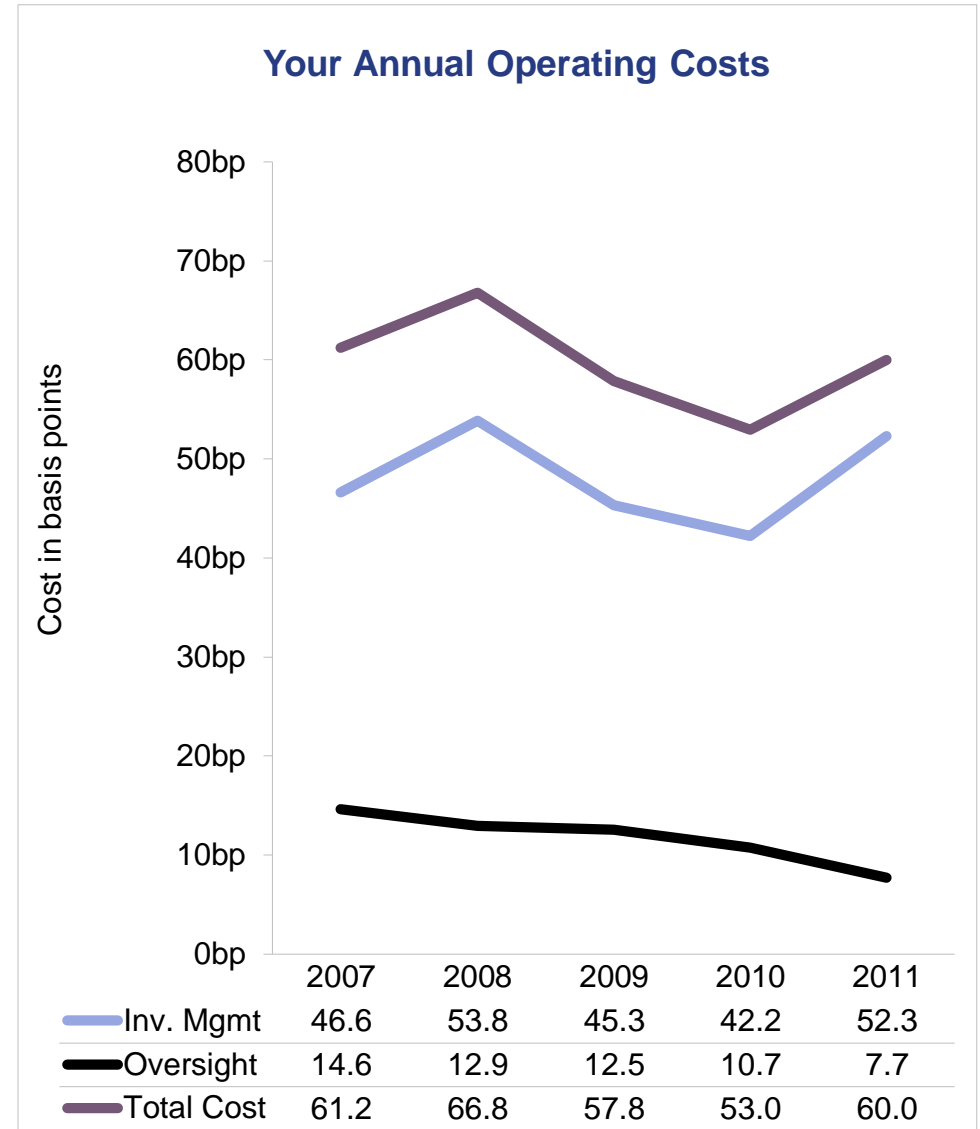
¹ Includes default for fees paid to underlying partnerships in fund of funds. The default for diversified private equity was 167bps.

² Total cost excludes carry/performance fees for real estate, infrastructure, hedge funds, private equity and overlays. Performance fees are included for the public market asset classes.

Your costs increased slightly by 7 basis points between 2010 and 2011.

Your costs increased because your investment management costs increased for:

- Hedge funds and infrastructure. For example, your hedge fund cost increased from 93 bps (\$17 million) in 2010 to 130 bps (\$26 million) in 2011. Some of the increase is because 2011 was the first full year for the programs.
- Most of your externally actively managed asset classes. For example, your global stock cost increased from 43 bps (\$1.8 million) on 2010 to 52 bps (\$4.8 million) in 2011.

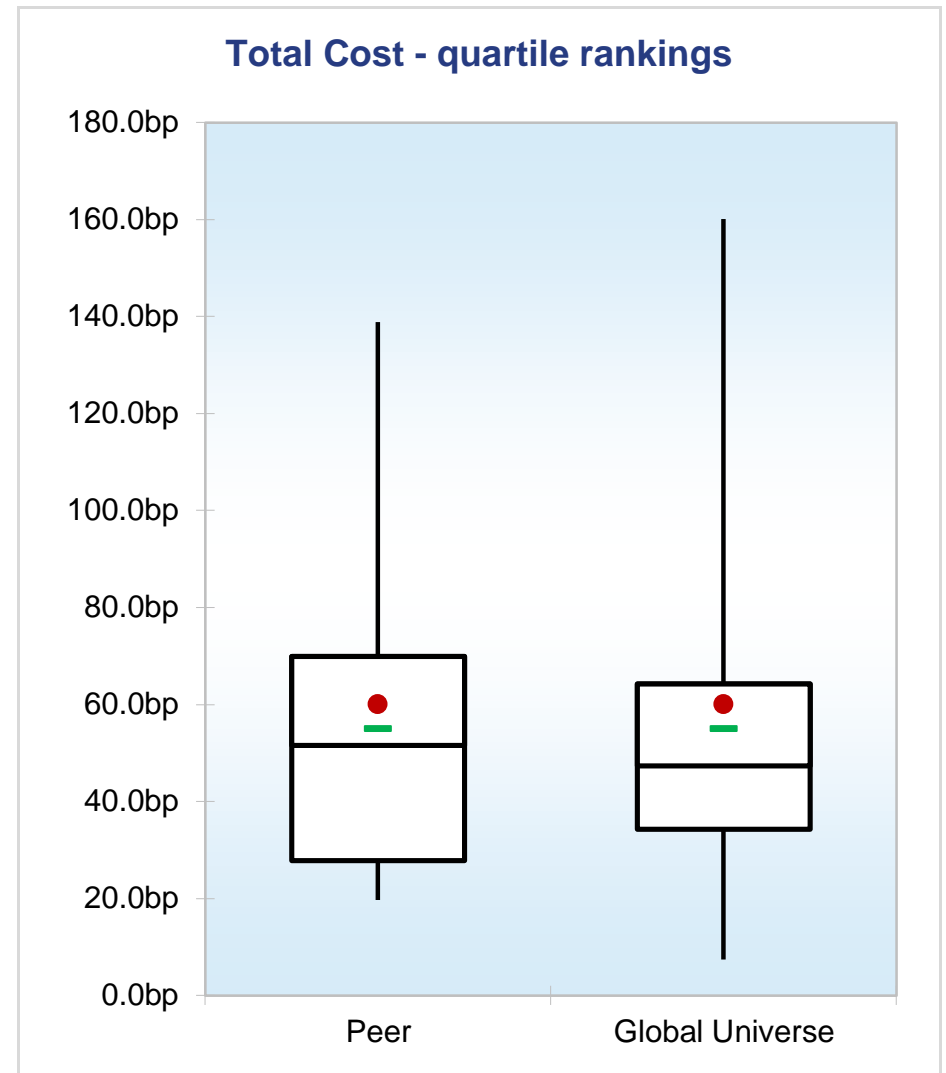
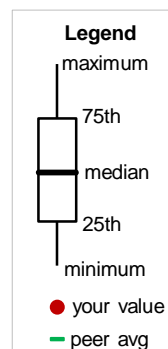


Your total cost of 60.0 bps was slightly above the peer median of 54.9 bps.

Differences in total cost are often caused by two factors outside of management's control:

- asset mix and
- fund size.

Therefore, to assess whether your costs are reasonable, CEM calculates a benchmark cost for your fund. Your benchmark cost is an estimate of what your cost would be given your actual asset mix and the median costs that your peers pay for similar services. It represents the cost your peers would incur if they had your actual asset mix.



Benchmark cost analysis suggests that, after adjusting for your asset mix, your fund was low cost by 10.0 basis points in 2011.

Your total cost of 60.0 bp was below your benchmark cost of 70.0 bp. Thus, your cost savings was 10.0 bp.

	\$000s	basis points
Your actual cost	110,172	60.0 bp
Your benchmark cost	<u>128,631</u>	<u>70.0 bp</u>
Your excess cost	(18,459)	(10.0) bp

You were low cost because you had a lower cost implementation style and paid less for similar mandates.

Reasons for Your Low Cost Status		
	Excess Cost/ (Savings)	
	\$000s	bps
1. Lower cost implementation style	(8,010)	(4.4)
2. Paying less than your peers	(10,449)	(5.7)
Total savings in 2011	(18,459)	(10.0)

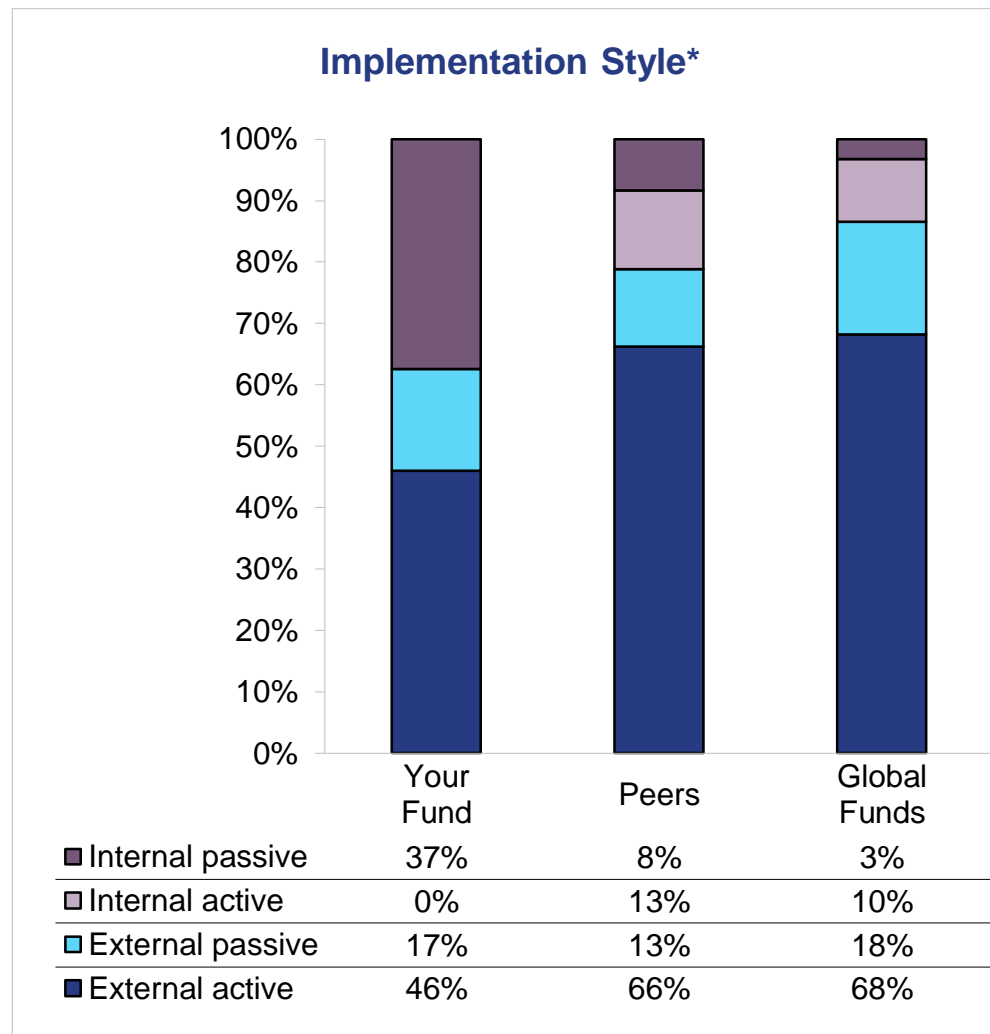
These reasons are examined in detail in the following pages.

Differences in cost performance is often caused by differences in implementation style.

Implementation style is defined as the way in which your fund implements asset allocation. It includes internal, external, active, passive and fund-of-funds styles.

The greatest cost impact is usually caused by differences in the use of:

- External active management because it tends to be much more expensive than internal or passive management. You used less external active management than your peers (your 46% versus 66% for your peers).
- Within external active holdings, fund of funds usage because it is more expensive than direct fund investment. You had less in fund of funds. Your 2% hedge funds, real estate and private equity in fund of funds compared to 14% for your peers.



* The graph above has included an estimate of the impact of derivatives on your implementation style.

Differences in implementation style saved you 4.4 bp relative to your peers.

Cost Impact of Differences in Implementation Style						
Asset class	Your avg holdings in \$mils	% External Active			Cost ^{1,2} premium	Cost/ (Savings) in \$000s
		You	Peer average	More/ (less)		
Stock - U.S.	184	100.0%	78.1%	21.9%	31.5 bp	126
Stock - Europe & Far East	964	63.2%	66.6%	(3.4%)	40.0 bp	(132)
Stock - Emerging	984	30.5%	77.4%	(46.8%)	55.6 bp	(2,564)
Stock - Global	1,921	47.4%	66.9%	(19.6%)	46.4 bp	(1,742)
Stock - Other	20	0.0%	53.9%	(53.9%)	22.0 bp	(24)
Fixed Inc. - Europe & Far East	39	0.0%	7.6%	(7.6%)	N/A	0
Fixed Income - Global	1,352	54.7%	57.2%	(2.4%)	20.0 bp	(66)
Fixed Income - Inflation Indexed	62	0.0%	11.4%	(11.4%)	5.1 bp	(4)
Fixed Income - Other	159	58.8%	51.1%	7.7%	17.0 bp	21
Hedge funds	2,007	100.0%	100.0%	0.0%		0
of which Fund of Funds represent:		0.0%	24.8%	(24.8%)	84.9 bp	(4,230)
Infrastructure	1,975	100.0%	98.0%	2.0%	N/A	0
of which Ltd Partnerships represent:		14.2%	13.8%	0.4%	36.4 bp	28
of which Fund of Funds represent:		0.0%	3.9%	(3.9%)	N/A	0
REITs	734	0.0%	49.1%	(49.1%)	29.4 bp	(1,060)
Real Estate ex-REITs	601	100.0%	78.1%	21.9%	67.8 bp	890
of which Ltd Partnerships represent:		58.1%	44.0%	14.1%	68.7 bp	583
of which Fund of Funds represent:		0.0%	11.5%	(11.5%)	-28.7 bp	115
Natural Resources	1,324	66.5%	75.3%	(8.8%)	150.0 bp	(1,752)
of which Fund of Funds represent:		0.0%	0.0%	0.0%		0
Diversified Private Equity	759	100.0%	96.7%	3.3%	176.7 bp	441
of which Fund of Funds represent:		15.5%	20.0%	(4.5%)	82.8 bp	(282)
Other private equity	453	100.0%	100.0%	0.0%		0
Total		46.1%	66.3%	(20.2%)		(9,652)
Total external active style impact in bps						(5.3) bp
Impact of differences in the use of lower cost styles ³						(0.0) bp
Cost from your higher use of portfolio level overlays						0.9 bp
Total style impact						(4.4) bp

1. The cost premium is the additional cost of external active management relative to the average of other lower cost implementation styles - internal passive, internal active and external passive.

2. A cost premium of 'N/A' indicates that there was insufficient peer data to calculate the premium. This is most often because your peers do not use the lower cost styles.

3. The 'Impact of differences in the use of lower cost styles' quantifies the net impact of your relative use of internal passive, internal active and external passive management.

The net impact of differences in external investment management costs saved you 8.2 bps.

Impact of Paying More/(Less) for External Investment Management					
	Your avg holdings in \$mils	Cost in bps			Cost/ (Savings) in \$000s
		You	Peer median	More/ (Less)	
Stock - U.S. - Active	184	74.8	34.0	40.8	749
Stock - Europe & Far East - Active	609	47.8	47.9	(0.1)	(7)
Stock - Emerging - Passive	684	12.3	17.8	(5.5)	(376)
Stock - Emerging - Active	301	123.6	73.4	50.2	1,510
Stock - Global - Passive	1,012	8.2	3.0	5.3	533
Stock - Global - Active	910	51.8	49.3	2.4	220
Fixed Income - Global - Passive	612	8.0	7.7	0.3	20
Fixed Income - Global - Active	740	28.5	27.7	0.8	57
Fixed Income - Other - Active	94	213.4	23.2	190.2	1,780
Hedge Funds - Active	2,007	130.1	134.3	(4.2)	(846)
Infrastructure - Active	1,696	78.7	74.7	4.0	683
Infrastructure - Limited Partnership	280	36.6	111.1	(74.6)	(2,084)
REITs - Passive	734	11.5	12.6*	(1.2)	(85)
Real Estate ex-REITs - Active	252	70.7	61.2	9.5	239
Real Estate ex-REITs - Limited Partnership	349	135.8	133.2	2.6	91
Natural Resources - Active	880	59.8	210.5	(150.7)	(13,260)
Diversified Private Equity - Active	641	160.8	167.0	(6.3)	(401)
Diversified Private Equity - Fund of Fund	118	284.5	249.8	34.6	408
Other Private Equity - Active	453	64.2	158.6	(94.4)	(4,280)
Total external investment management impact				(8.2) bp	(15,050)

*Universe median used as peer data was insufficient.

The net impact of differences in internal investment management costs saved you 1.8 bps.

Impact of Paying More/(Less) for Internal Investment Management					
	Your avg holdings in \$mils	Cost in bps			Cost/ (Savings) in \$000s
		You	Peer median	More/ (Less)	
Stock - Europe & Far East - Passive	355	7.8	8.8	(1.0)	(35)
Stock - Other - Passive	20	8.2	6.1	2.1	4
Fixed Inc. - Europe & Far East - Passive	39	22.1	3.6*	18.6	73
Fixed Income - Inflation Indexed - Passive	62	6.8	0.9	5.9	37
Fixed Income - Other - Passive	66	9.1	3.2	6.0	39
Cash - Active	5,884	5.9 Excluded			
Natural Resources - Active	444	11.3	60.5	(49.3)	(2,189)
	<i>Notional</i>				
Derivatives/Overlays - Currency - Hedge	11,777	0.3	0.6	(0.3)	(319)
Derivatives/Overlays - Passive Beta	7,004	3.3	2.1	1.2	862
Derivatives/Overlays - Policy Tilt TAA	6,715	0.4	3.0	(2.6)	(1,730)
Total internal investment management impact				(1.8) bp	(3,258)

'Excluded' indicates that the asset class was excluded from this analysis due to comparability concerns with peers.

*Universe median used as peer data was insufficient.

The net impact of differences in your oversight, custodial & other costs added 4.3 bps to your cost.

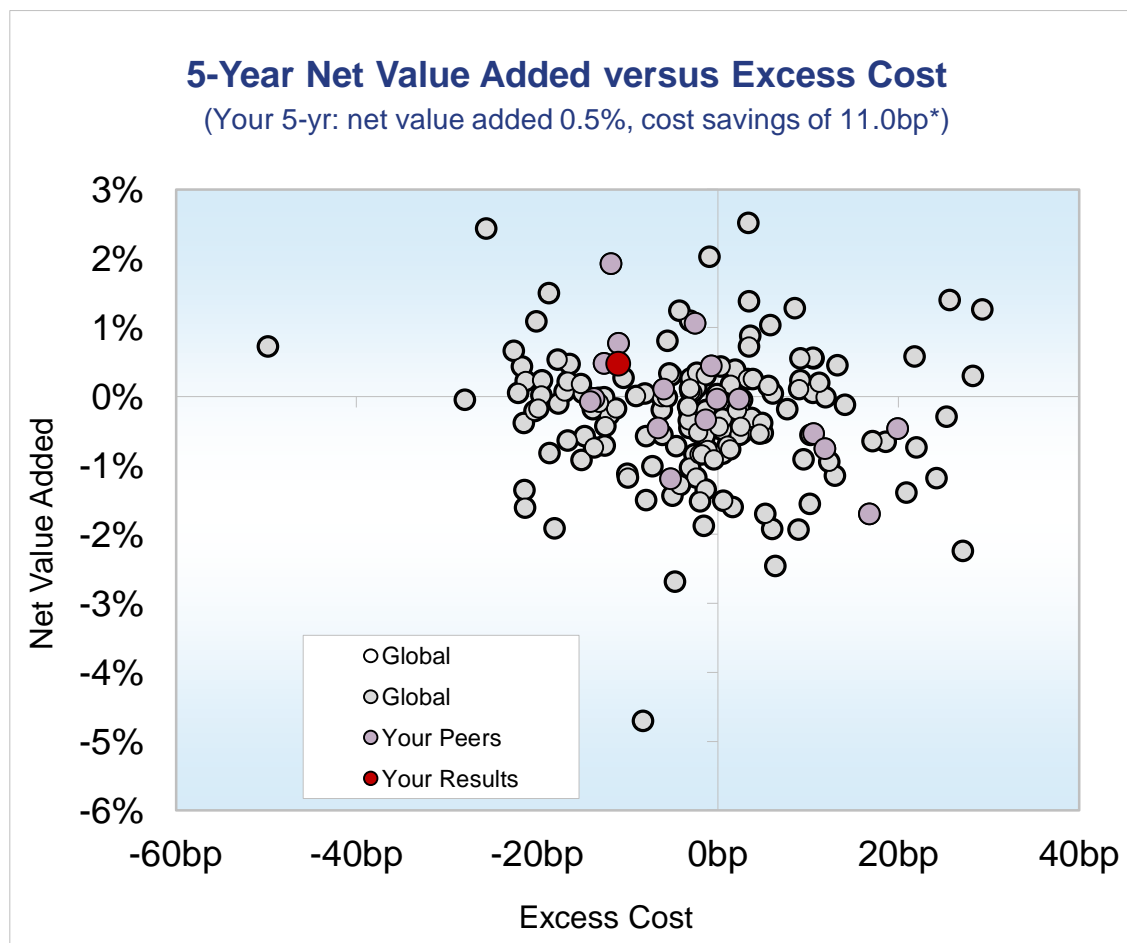
Impact of Differences in Oversight, Custodial & Other Costs					
	Your avg holdings in \$mils	Cost in bps			Cost/ (Savings) in \$000s
		you	Peer median	More/ (Less)	
Oversight	18,372	4.4	1.3	3.1	5,761
Custodial / trustee	18,372	2.9	1.4	1.5	2,703
Consulting / performance measurement	18,372	0.0	0.4	(0.4)	(729)
Audit	18,372	0.2	0.1	0.1	124
Other	18,372	0.2	0.2	0.0	2
Total impact				4.3 bp	7,860

In summary, you were low cost because you had a lower cost implementation style and paid less for similar mandates.

Reasons for Your Low Cost Status		
	Excess Cost/ (Savings)	
	\$000s	bps
1. Lower cost implementation style		
• Lower use of fund of funds	(4,397)	(2.4)
• Less external active management and more lower cost passive and internal management	(5,255)	(2.9)
• Higher use of overlays	1,642	0.9
• Other style differences	<u>(1)</u>	<u>(0.0)</u>
	(8,010)	(4.4)
2. Paying less than your peers		
• External investment management costs	(15,050)	(8.2)
• Internal investment management costs	(3,258)	(1.8)
• Oversight, custodial & other costs	<u>7,860</u>	<u>4.3</u>
	(10,449)	(5.7)
Total savings	(18,459)	(10.0)

4. Cost Effectiveness

Your 5-year performance placed in the positive value added, low cost quadrant.



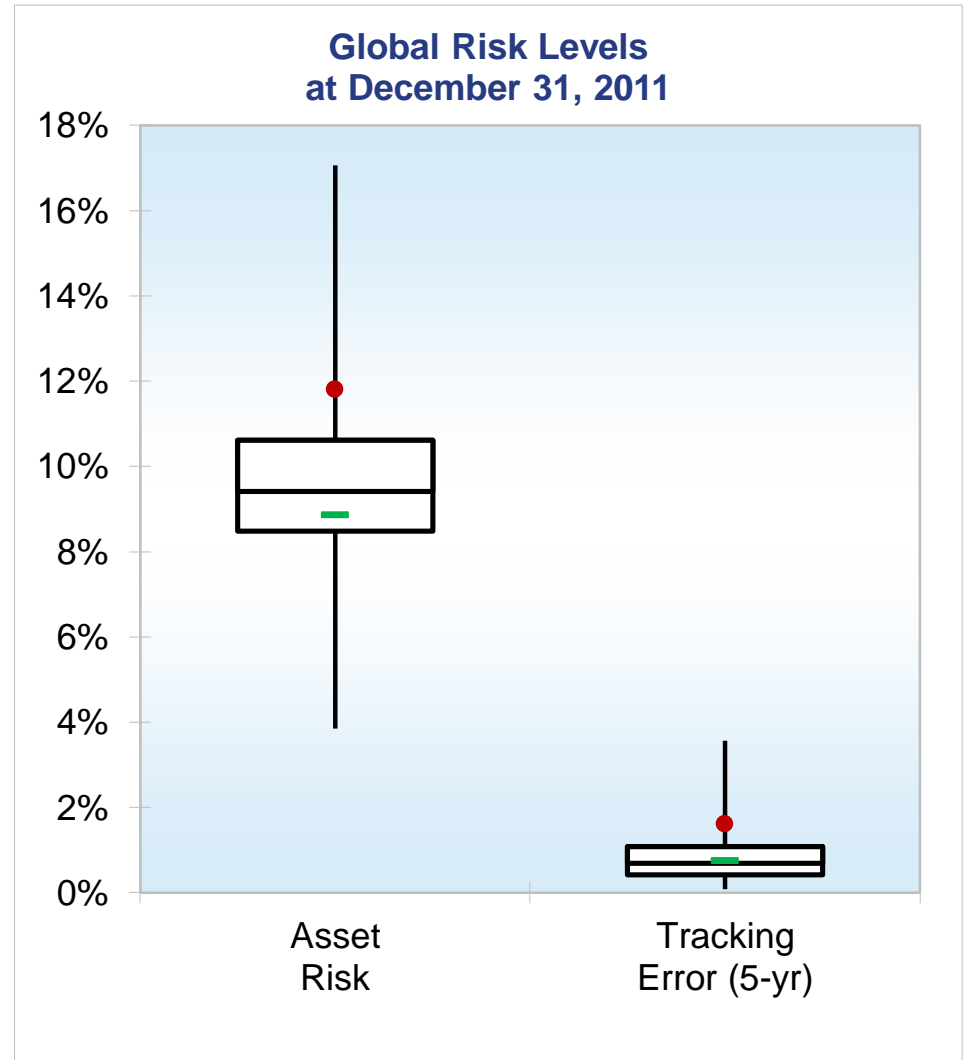
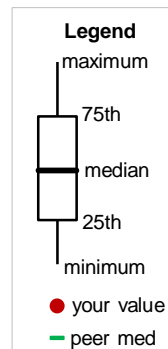
Your 5-year excess cost of -11.0bp is the average of your excess cost for the past 5 years.

5. Risk

Comparison of risk levels

Your asset risk of 11.8% was above the Global median of 9.4%. Asset risk is the expected standard deviation of your policy return. It is based on the historical variance of, and covariance between, the asset classes in your policy mix.

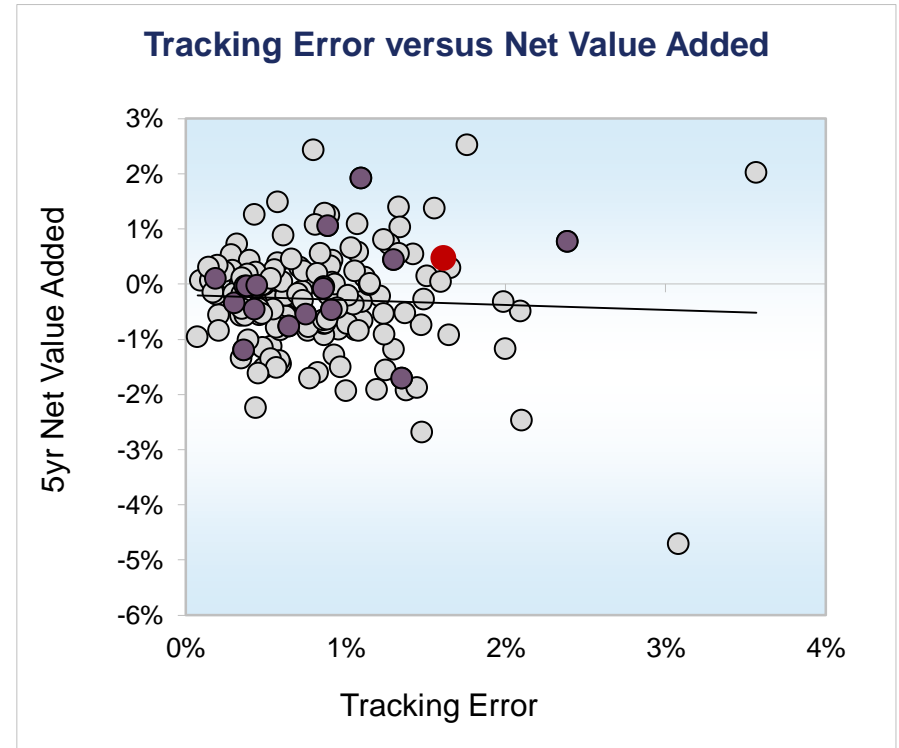
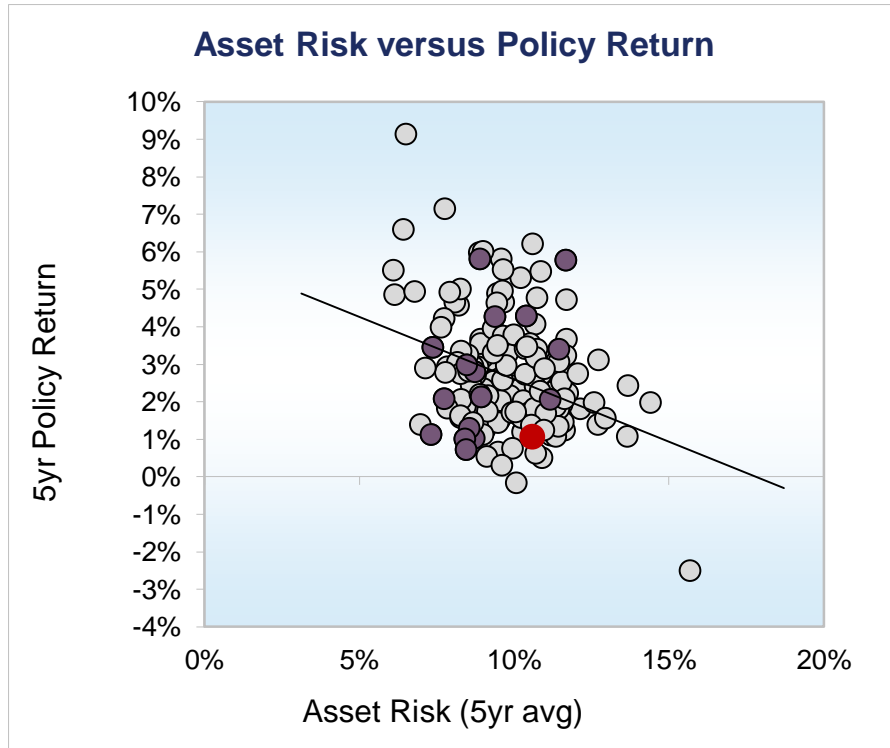
Your tracking error of 1.6% is above the Global median of 0.7%. Tracking error is the risk of active management. It equals the standard deviation of your annual net value added.



Relationship between risk and returns for the 5 year period ending 2011.

Higher asset risk was associated with lower policy returns.

There was no relationship between tracking error and net value added.



○ Global ● Peers ● You — Linear (Global)

In summary:

1. Policy Return

Your 5-year policy return was 1.1%. This compares to the Global median of 2.3% and the peer median of 2.1%.

2. Value Added

Your 5-year net value added was 0.5%. This was above the Global median of -0.2% and above the peer median of 0.0%.

3. Costs

Your actual cost of 60.0 bps was below your benchmark cost of 70.0 bps. This suggests that your fund was low cost. You were low cost because you had a lower cost implementation style and paid less for similar mandates.

4. Cost Effectiveness

Your 5-year performance placed in the positive value added, low cost quadrant on the cost effectiveness chart.

5. Risk

Your asset risk of 11.8% was above the Global median of 9.4%. Your tracking error of 1.6% was above the Global median of 0.7%.