# Other Material Information

# ASB KiwiSaver Scheme

ASB Group Investments Limited | 25 July 2019

This document replaces the other material information document dated 28 September 2018.

asb.co.nz/kiwisaver

ONE STEP AHEAD

# 1. Introduction

This document contains additional information about the ASB KiwiSaver Scheme (**Scheme**) to help you make your investment decision.

This document should be read alongside the Product Disclosure Statement for the Scheme (**PDS**). We have used the same numbering in this document as the PDS (although not all sections are used in this document).

This document, the PDS, the Statement of Investment Policy and Objectives (**SIPO**), the Scheme trust deed and other useful information about this offer can be found at asb.co.nz/kiwisaver or disclose-register.companiesoffice.govt.nz (search for ASB KiwiSaver Scheme).

# 2. How does this investment work?

## Joining the Scheme

**Joining the Scheme through your employer**

You may be automatically enrolled in the Scheme when you start employment. You can choose to opt-out between the second and eighth week (i.e. on or after day 14 and on or before day 56) of starting employment.

You can do this by:

- completing an opt-out form online at kiwisaver.govt.nz or
- giving your employer a completed opt-out form available from ird.govt.nz

If you opt-out, Inland Revenue will refund any employee contributions you may have made.

## Making investments

Employee and employer contributions are calculated on your before-tax salary or wages. Salary or wages will not include:

- any ACC payments if your employer takes part in ACC's partnership programme or they have an ACC employer reimbursement agreement or
- any parental leave payments from Inland Revenue.

**Employee contributions**

You can apply to Inland Revenue to temporarily stop your employee contributions (this is called a savings suspension).

| Contributions | | Length of savings suspension |
|---|---|---|
| If you have contributed to a KiwiSaver scheme for at least 12 months | ➜ | your savings suspension will be between three months and one year (or less than three months if your employer agrees). |
| If you:<br>• have contributed to a KiwiSaver scheme for less than 12 months and<br>• have made at least one contribution and<br>• have, or are likely to have, financial hardship | ➜ | your savings suspension will be three months (or longer if Inland Revenue agrees). |

To apply for a savings suspension:

- complete the application form available from ird.govt.nz and send it to Inland Revenue or your employer or
- use 'My KiwiSaver' (Inland Revenue's online portal).

You can have more than one savings suspension.

### Employer contributions

You may have joined a complying superannuation fund as well as the Scheme. A complying superannuation fund is a superannuation scheme that is similar to a KiwiSaver scheme. Employer contributions to the Scheme may be reduced by the amount of any employer contributions to your complying superannuation fund.

Employers pay their contributions to Inland Revenue each month at the same time as they pay any income tax deducted from your salary or wages.

If your employer pays any contributions to the Scheme by mistake, we will return the overpaid amount to Inland Revenue.

### Voluntary contributions

There is no minimum amount for voluntary contributions. If that changes, we will let you know.

You need to give us evidence of your address and identity if Inland Revenue allocated you to the Scheme when you started employment. We need this before you can make voluntary contributions directly to the Scheme. However, even if you have not given us evidence of your address and identity, you can still make voluntary contributions through Inland Revenue.

Please see asb.co.nz/aml for documents you can use for evidence of your address and identity.

### Annual Government contribution

If you're eligible, Inland Revenue pays your annual Government contribution after 30 June each year. You might receive your annual Government contribution in stages if any contributions from your salary or wages were received by Inland Revenue after 30 June.

If you're a member of both a KiwiSaver scheme and a complying superannuation fund, Inland Revenue will pay your annual Government contribution to the scheme or fund that applies first. Any remaining annual Government contribution will be paid to the other scheme or fund when it applies.

### When you reach the KiwiSaver retirement age

You can stop or restart your employee contributions by completing the applicable form available from ird.govt.nz and giving it to your employer.

# Withdrawing your investments

## Before you reach the KiwiSaver retirement age

### First home (or previous home owner) purchase

You can withdraw your investment (excluding any amount transferred from an Australian complying superannuation fund) to buy your first home if:

- you have been a member of a KiwiSaver scheme (or a complying superannuation fund) for at least three years and
- this is the first time you've made a withdrawal from a KiwiSaver scheme to buy a home (including an interest in a private home on Maori land) and
- you've never owned property or land before (or you meet Housing New Zealand Corporation's previous homeowner criteria) and
- you're buying a property in New Zealand and
- you're going to live in the home you're buying and
- the value of your investment is at least $1,000 after the withdrawal.

If you've owned property before, you may still be able to withdraw your investment to purchase a home.

You may also be eligible for a KiwiSaver HomeStart grant of up to:

- $5,000 (for individuals) or $10,000 (for eligible couples) for purchasing an existing home or
- $10,000 (for individuals) or $20,000 (for eligible couples) for building a new home or purchasing a newly built home.

In either case you'll need to meet criteria set by Housing New Zealand Corporation. This includes minimum contribution levels and certain income thresholds and regional house price caps. For more information, see hnzc.co.nz

### Permanent move to Australia

We need evidence of your move to Australia before we can make a transfer. You might not be able to make a transfer if your investment is more than the maximum transfer amount under Australian rules.

You'll only be able to withdraw your transferred KiwiSaver investment when you reach the KiwiSaver retirement age. Any returns on your KiwiSaver investment as well as contributions made while in Australia will be subject to Australian rules.

Australian taxes may apply to transfers to Australian funds. We recommend you talk with a tax adviser.

### Permanent move to any country other than Australia

You can apply to withdraw your investment:

- immediately, if you're transferring your investment to an authorised superannuation scheme overseas or
- one year after you leave New Zealand, in any other case.

### Permanent move from Australia

If you transfer any amounts from an Australian complying superannuation fund to the Scheme, then:

- if you're retired (as defined in Australian rules) you can withdraw your investment when you reach 60 and
- these amounts do not count towards any annual Government contribution entitlement and
- you cannot use these amounts to purchase a first home or use it towards eligibility for the KiwiSaver HomeStart grant and
- you cannot transfer these amounts to a third country.

For more information about the transfer facility, see asb.co.nz/kiwisaver

### Significant financial hardship

You can apply to withdraw your investment (excluding any Government kick-start contribution and any annual Government contributions) if you're facing significant financial hardship. Examples of significant financial hardship are where you cannot:

- meet your minimum living expenses or
- meet mortgage payments on your home where a lender seeks to enforce its mortgage or
- afford to pay medical bills for yourself or a dependent or
- afford to modify a home for you or a dependent due to disability or
- cover funeral costs of a dependent.

### Serious illness

You can apply to withdraw some or all of your investment if you have an illness, injury or disability that means:

- you are totally and permanently unable to engage in work that you're suited for because of your experience, education or training or
- you have a serious and imminent risk of death.

### Transferring your investment

You can apply to transfer your investment to another KiwiSaver scheme at any time. If that KiwiSaver scheme accepts you as a member, we will complete the transfer for you and your membership of the Scheme will end.

# 4. What are the risks of investing?

| Risk | Description |
|---|---|
| Market risk | The value of some investments move up and down over time because of changes in market conditions. We spread our investments across different markets to reduce the likelihood or impact of this risk. |
| Exchange rate risk | The value of the New Zealand dollar relative to other currencies can go up and down. This affects the returns of funds that have investments denominated in foreign currencies. We use derivatives to hedge the effect of changes to exchange rates to reduce the likelihood or impact of this risk. |
| Credit risk | An investment in cash, fixed interest or derivatives may be affected if a person doesn't pay what they owe. This could result in lower returns or the loss of some or all of the money invested by a fund. We apply credit quality criteria to reduce the likelihood or impact of this risk. |
| Asset allocation risk | Returns are affected by how a fund's assets are allocated across different types of assets. Different types of assets will have different risks. For example:<br>• if a fund invests in cash or fixed interest, it can be affected by **interest rate risk**<br>• if a fund invests in equities, it can be affected by **equity investment risk**<br>• if a fund invests in property, it can be affected by **property risk**<br>• if a fund uses derivatives, it can be affected by **derivative risk**<br>These risks are described below. |
| Interest rate risk | Investments in cash and fixed interest assets can be affected by interest rate movements. We spread our investments across different markets to reduce the likelihood or impact of fixed interest rate movements. |
| Equity investment risk | Investments in equities can be influenced by things such as the performance of the company or entity, the general outlook of investors in the market and the economic performance of its region or sector. We choose different equities across different regions and sectors to reduce the impact of the performance of individual equities. |
| Property risk | Investments in property are influenced by things such as the demand for the location, the quality of the property, the general economy, the property market and, for listed property investments, the share market. We invest in different types of listed property assets to reduce the likelihood or impact of this risk. |
| Derivative risk | Derivatives include currency forwards, futures, swaps and options. The value of a derivative depends on the value of an underlying asset and can move up and down. Its value can change in response to changes in an interest rate, foreign exchange rate, asset price or credit rating. We limit our use of derivatives according to our derivatives usage policy described in the SIPO. |
| Underlying investment manager risk | An underlying investment manager may make decisions that have a negative effect on your returns. These decisions could be about the selection of underlying investments. We use several underlying investment managers and monitor their performance to reduce the likelihood or impact of this risk. |
| Liquidity risk | It may be difficult to sell the assets of a fund. If that happens, the fund may not be able meet its payment obligations in a timely way, or may have to sell those assets at a lower price. We have policies and procedures governing how we invest that are designed to reduce the likelihood or impact of this risk. |

| Risk | Description |
|---|---|
| Cash risk | Cash is suitable for short-term investment requirements. It can also form part of a group of different types of asset classes to balance those asset types with higher risk. The returns for cash may be lower than inflation. This means that your purchasing power may decrease over time. |
| Counterparty risk | A party to a contract may not meet its obligations which may mean the full value of an investment may not be recovered. We monitor the credit performance of our counterparties to reduce the likelihood or impact of this risk. |
| Product risk | Decisions made in relation to the Scheme may negatively affect a fund's performance. We only make material changes to the Scheme by going through our own internal approval process and after giving notice to, or discussing it with, the supervisor. |
| Operational risk | We or another person involved in the operation of the Scheme may fail to do what was agreed. For example, an underlying investment manager might invest outside of its mandate. This could adversely affect the value of your investment.<br>We, and any people involved in the Scheme, have policies, procedures and processes governing how our obligations are performed and monitored to reduce the likelihood or impact of this risk. |
| Regulatory risk | Your investment could be affected by changes in the laws, regulations or rules around the Scheme. For example, the Government could change the rules around the amount of contributions that you, your employer or the Government make. |
| Socially responsible investment risk | The Positive Impact Fund has a preference for investments that make a positive impact on society or the environment. This means it may be less diversified in the investments it can pursue, and may forego some potentially profitable opportunities on ethical grounds. This preference may impact on the fund's risk/return characteristics. |

# 5. What are the fees?

| Fee | Description | How it is charged |
|---|---|---|
| Other charges for the Scheme funds | The supervisor is paid a fee for its services.<br>We, the supervisor and any custodian appointed by the supervisor may be paid for costs incurred in the operation and administration of the Scheme. | We currently pay the supervisor fee and all costs incurred in the operation and administration of the Scheme from the management fee we receive.<br>If this changes, we will let you know. |
| Other charges for the underlying funds | The Scheme funds invest in other managed funds. Those managed funds are managed by us and may invest directly in other managed funds (together, **Underlying Funds**).<br>Underlying Funds incur operation and administration costs. | We currently pay for these costs from the management fee we receive.<br>If this changes, we will let you know. |
| Trading costs | The Underlying Funds may incur trading costs. Trading costs are the costs of buying and selling investments of a fund. | Trading costs are incurred in the Underlying Funds, which will affect indirectly the value of your investment. |

We reduce your investment each month to pay the administration fee. The administration fee must be paid in full each month unless we tell you otherwise. If you have been allocated to the Scheme by Inland Revenue, and have not chosen a fund, we cannot increase the administration fee you pay without Government approval.

There is no maximum amount that can be charged for the administration fee.

**Estimate of annual fund charges**

The annual fund charges in the PDS are an estimated percentage of the net asset value of a fund.

The way we calculate what you actually pay is based on the value of your investment in a fund. When we calculate the value of your investment in a fund, we use the gross asset value of a fund. As a result, the amount you pay may differ from the estimates shown.

# 6. What taxes will you pay?

**Taxation**

Your returns are affected by tax. This section is based on our current understanding of New Zealand tax law as it affects you and the Scheme.

Tax law, its interpretation and the rates that apply may change. The application of tax law depends on your circumstances. We and the supervisor do not take responsibility for your tax liabilities. If you have questions about how tax affects your individual circumstances we recommend you talk to an independent tax advisor.

**Taxable income is taxed at the prescribed investor rate (PIR) you provide**

The Scheme is a portfolio investment entity (**PIE**). This means that taxable income of the Scheme is attributed to you (based on your interest in the Scheme) and taxed at the PIR that you tell us.

We calculate the taxable income (or loss) as well as any tax credits or other amounts attributable to you every day. We then pay tax (if any) on the taxable income that is attributed to you at the PIR you tell us. If you do not tell us your IRD number and PIR the highest PIR will apply.

### Your PIR and IRD number

It's important to tell us your correct PIR and IRD number when you join the Scheme. It's also important to let us know if your PIR changes.

If the PIR you tell us is too low, you may have to file a tax return and pay further tax at your income tax rate (plus any interest and penalties).

If the PIR you give us is too high (or if you don't tell us any PIR), you can't claim back any excess tax we pay on your behalf. This is because PIE tax is a final tax.

Inland Revenue may require us to apply a different PIR if they decide you have given us an incorrect PIR. In this case, we have to apply the PIR that Inland Revenue considers appropriate.

### Other information about PIRs and taxable income attributed to you

If you have become a New Zealand tax resident, your PIR should generally be based on your worldwide income and not solely on your New Zealand income.

If you change your PIR, we don't reassess the tax already deducted from your investment. The new PIR will apply to the taxable income (or loss) of the fund that is attributed to you that has not already been taxed in the current tax year.

The taxable income of the fund that is attributed to you does not currently impact your eligibility for Working for Families Tax Credits or student allowances. It is also not included as income when assessing your student loan or child support obligations.

Call 0800 ASB RETIRE (0800 272 738) during normal business hours for more information on PIRs and calculating your PIR. You can also visit asb.co.nz/pir or ird.govt.nz or email retire@asb.co.nz

### How we pay tax on your behalf

We reduce your investment to pay tax on your behalf. We do this:

- shortly after 31 March at the end of the tax year or
- when you withdraw, transfer or switch part or all of your investment or
- at any other time when the value of your investment is too low to cover your accrued tax liability.

If we receive a tax refund on your behalf, your investment will increase by the value of the tax refund.

### How the Scheme assets are taxed

The Scheme funds invest in underlying funds managed by us, which are PIEs. The underlying funds will attribute PIE income to the Scheme funds, so income and gains or losses will be taxed in the same way as if the underlying investments had been held by the Scheme funds directly.

Some of the underlying funds invest in equities. Gains and losses from the sale of New Zealand equities are not taxable. Neither are gains and losses from the sale of Australian equities that are listed on the Australian Securities Exchange and meet certain other criteria. Dividends from both these types of equities are taxable, but any imputation or foreign withholding tax credits may be available to offset any tax payable (subject to certain limits).

For other overseas equities we invest in, the fair dividend rate method or the comparative value method will apply. The fair dividend rate method applies in most cases. Under the fair dividend rate method, the underlying funds are treated as deriving taxable income equal to 5% of the average daily market value of those investments. Dividends or profits from the sale of these investments are not taxable and losses from the sale are not deductible. Under the comparative value method, the underlying funds are taxed on all realised and unrealised gains and losses and any distributions. Foreign withholding tax credits may be available to offset any tax payable (subject to certain limits).

Income and gains or losses from other investments held by an underlying fund will be taxable.

# 7. Who is involved?

### The supervisor

Public Trust is licensed to act as a supervisor of the Scheme. Their licence is subject to conditions from the Financial Markets Authority (**FMA**). These conditions may change over time. See fma.govt.nz for a full list of these conditions.

### Supervisor's authority

The supervisor must give regular reports to the FMA confirming that:

- it has sufficient financial resources and independence to support and develop its trustee and statutory supervisor business and
- it holds adequate professional indemnity insurance for its trustee and statutory supervisor business.

### Independence of supervisor and any custodians

The supervisor and the custodian (Newburg Nominees Limited) are independent of us. The custodian is owned by the supervisor. The supervisor is owned by the Government.

### Conflicts of interest

We have the following conflicts of interest:

- ASB Bank Limited (**ASB**) and Commonwealth Bank of Australia (**CBA**) are related parties of us. They provide foreign exchange hedging services for underlying funds managed by us with assets in foreign currency. ASB and CBA receive a benefit for providing these services as part of their banking business. All funds except for the NZ Cash Fund are exposed to foreign currency. We manage this conflict by ensuring that the arrangement between us is on arm's length terms.
- Colonial First State Asset Management (Australia) Limited (**CFSAML**) is a related party of us. It is an investment manager of the underlying funds. We pay CFSAML a fee for its investment management services. We manage this conflict by ensuring that any arrangement between us is on arm's length terms. CBA has sold CFSAML to a non-related party, Mitsubishi UFJ Trust and Banking Corporation. Completion of the sale is subject to regulatory approval.
- The funds bank with ASB. ASB may receive commercial benefits from those banking arrangements. We manage this conflict by ensuring that those arrangements are on arm's length terms.
- The funds invest in underlying funds managed by us. We do not receive any fees for managing the underlying funds.
- Our related parties may be involved in transactions that include the offer of financial products (for example, by offering a term deposit or as an arranger of a corporate bond issue). The underlying funds managed by us may buy those financial products. We manage this conflict by ensuring all financial products bought are authorised investments of the Scheme and that any purchase is on arm's length terms.

## Keep in touch

- Drop in to any ASB branch
- Call 0800 272 738
- Visit asb.co.nz/kiwisaver
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