BNZ KiwiSaver Scheme

More about the BNZ KiwiSaver Scheme

Other Material Information

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Investments in BNZ KiwiSaver are not bank deposits or other liabilities of Bank of New Zealand (BNZ) or any other member of the National Australia Bank Limited group. They are subject to investment risk, possible delays in repayment, possible loss of income and possible loss of principal invested. No person (including the New Zealand Government) guarantees (either fully or in part) the performance or returns of BNZ KiwiSaver or the repayment of capital. National Australia Bank Limited, the ultimate owner of BNZ, is not a registered bank in New Zealand but a licensed bank in Australia and is subject to the supervision of the Australian Prudential Regulation Authority.

Find out more about the BNZ KiwiSaver Scheme

This document tells you more about the BNZ KiwiSaver Scheme (BNZ KiwiSaver or Scheme) and its funds (Funds). The document goes into greater detail on:

It should be read with the current Product Disclosure Statement and Statement of Investment Policy and Objectives (SIPO) for the Scheme, along with any other documents held on the Scheme and Offer Disclose Register entries at **companiesoffice.govt.nz/disclose**

In this document:

- 'you' and 'your' means you and any other persons who are or become members of BNZ KiwiSaver
- 'we', 'us', 'our' and BNZISL refer to BNZ Investment Services Limited, the manager of BNZ KiwiSaver.

This information is provided as a guide only and is current as at the date of this document. It is not intended as a replacement for legal, tax or financial advice. This information is subject to changes to the law and government policy, and changes to the BNZ KiwiSaver Scheme, from time to time.

1. Who can join the BNZ KiwiSaver Scheme?

Most New Zealanders join KiwiSaver in one of three ways:

- automatic enrollment when you start a new job with a new employer
- choosing to join KiwiSaver and applying directly to a provider
- opting in through your employer.

If you have been allocated to BNZ KiwiSaver as a default member by Inland Revenue your contributions will be automatically invested in the relevant fund for default members. Until 30 November 2021 this is the Conservative Fund and from 1 December 2021, it will be the Default Fund.

If you have been allocated to BNZ KiwiSaver because it is your employer's chosen KiwiSaver Scheme, when your account is opened your contributions will be automatically invested in the Fund that we choose for employer default members at that time. You will remain invested in that Fund until you choose a different Fund. Currently, we've chosen the Conservative Fund for new employer default members. However, we may change the Fund to which we allocate employer default members at any time.

If you have been automatically invested in a Fund with BNZ KiwiSaver you can choose another Fund at any time.

It is important to understand that once you choose to join KiwiSaver you can't opt out (except in limited circumstances).

Who can join KiwiSaver?

In most cases you will be able to join BNZ KiwiSaver if you are both:

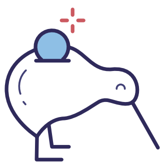
- a New Zealand citizen or entitled under the Immigration Act 2009 to New Zealand permanent residency
- living or normally living in New Zealand.

You can join KiwiSaver at any age.

In some limited circumstances, you can join BNZ KiwiSaver if you are not living or normally living in New Zealand. These circumstances apply if you are an employee of the State services (within the meaning of the State Sector Act 1988) and you are all of the following:

- serving outside New Zealand
- employed on New Zealand terms and conditions
- serving in a jurisdiction where offers of KiwiSaver scheme membership are lawful.

Three things to do when you join



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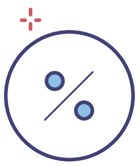

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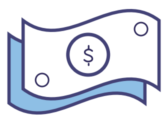

Contribute

Choose

Being in the right Fund for you can make a big difference to your future. We'll invest your money in the Fund you choose. If you don't choose a Fund, you'll be put into the relevant Fund for default members at the time.

Choose a Fund at **bnz.co.nz/kiwisaverwhatfund**

Check

It is important to review your PIR to ensure you pay the right tax. We recommend you review your PIR on an annual basis prior to 31 March.

If you need help to determine your PIR refer to **Ird.govt.nz/pir**

Contribute

You can choose how much you want to save with KiwiSaver. Remember that little extra now can make a big difference in the future.

Read more about contributions in the 'More about KiwiSaver contributions' section on page 5.

2. More about KiwiSaver contributions

Contributions can be made to your KiwiSaver account in different ways, including employee contributions (through salary or wages), employer contributions and voluntary 'lump sum' contributions.

You can read more about these in Section 2 of the *Product Disclosure Statement* under the heading 'Making Investments'.

Employee contributions

If you're employed, let your employer know your chosen contribution rate (3%, 4%, 6%, 8% or 10%). To do this, complete Inland Revenue's KiwiSaver deduction form (KS2) – available either from your employer or **www.ird.govt.nz** (search KS2) – and give this to your employer. If you don't choose a contribution rate, you'll contribute 3% of your before tax pay. If you decide to change your contribution rate, use the same KS2 form, complete it and give to your employer.

Understanding Government contributions

The Government also pays a contribution to eligible members.

To find out the amount of Government contribution, see Section 2 of the *Product Disclosure Statement*.

In most cases, to qualify for the Government contribution you need to be both:

- aged 18 and over but under the age of eligibility for New Zealand Superannuation (currently 65)
- principally residing in New Zealand. Overseas government workers, charity workers, and some volunteers may also qualify for the Government contribution. If this might apply to you, get in touch with us so that we can help you work out whether you qualify for the Government contribution.

Government contributions are paid annually based on the number of days in each year (1 July to 30 June) you qualified for it. So, the contribution will reduce for any part of the year that you did not qualify – including the first year that you joined KiwiSaver.

The Government won't make contributions on amounts transferred to BNZ KiwiSaver from an Australian Complying Superannuation Scheme.

You don't have to do anything to get paid the Government contribution if you qualify for it. We'll apply for it for you. However, you do need to let us know if you stop being eligible for any other reason.

More information about eligibility is available at **kiwisaver.govt.nz**

Before you can withdraw any of your Government contributions, you will need to complete a statutory declaration confirming the dates your principal place of residence has been in New Zealand.

Making voluntary contributions

Making one-off or regular contributions to the Scheme is easy. Your BNZ KiwiSaver account number can be found in BNZ Internet Banking.

You can also set up a direct debit. The form for this is available at **bnz.co.nz/kiwisaver**

How do I set up Internet Banking?

Already with BNZ

Register online with your BNZ credit card or telephone banking PIN or call **0800 275 269** and let us know you'd like BNZ Internet Banking access.

New to BNZ

If you are new to BNZ you will need to visit one of our branches with your identification to verify your personal details. We are required to do this by law and it should only take a few minutes. At the same time, we'll get you set up in BNZ Internet Banking.

Understanding the Inland Revenue holding account

When you first become a KiwiSaver member, Inland Revenue holds any contributions they receive for you until you've been a member for three months. After three months, they will pass these contributions plus interest to us.

It can also take up to three months for further employer or employee contributions to reach your Scheme account.

You can contact Inland Revenue if you have any questions about the amount of your contributions they hold, or the total amount of your employer or employee contributions that they have processed.

Suspending contributions (savings suspension)

If you are employed, and you've been a member of KiwiSaver for at least 12 months, you can take a break from contributing. To do so, you will need to apply to Inland Revenue for a savings suspension. Your savings suspension must be for a minimum of three months up to a maximum of one year.

You can apply within the first 12 months of membership if you are suffering, or are likely to suffer, financial hardship. You can only apply if Inland Revenue has received at least one contribution from you. You'll need to provide evidence of financial hardship to support your application. If your savings suspension is granted, it will usually be for a maximum of three months (unless Inland Revenue agrees to a longer period).

Your employer does not have to make compulsory employer contributions to your KiwiSaver account while you are taking a savings suspension. These compulsory employer contributions will restart when you start making contributions from your pay again.

You can apply for another savings suspension when the one you are taking expires. You should always let your employer know when you start or cancel a savings suspension.

3. Withdrawing money from the BNZ KiwiSaver Scheme

Generally, you will not be able to withdraw your BNZ KiwiSaver savings until you reach your KiwiSaver Retirement Age.

You do not have to withdraw your KiwiSaver savings once you reach your KiwiSaver Retirement Age. You can remain a member of the Scheme (provided you have a minimum balance of $1,000 or more).

KiwiSaver Retirement Age

If you first joined KiwiSaver before 1 July 2019, your KiwiSaver Retirement Age depends on your age when you became a member of KiwiSaver.

- If you were 60 or over, your KiwiSaver Retirement Age is five years after the date you joined. However, you can opt out of this lock-in and withdraw from the age of 65.
- If you were under 60 when you joined, your KiwiSaver Retirement Age is the date you qualify for New Zealand superannuation (currently 65).

Withdrawals before KiwiSaver Retirement Age

Under some circumstances, you may be able to make early withdrawals. These include:

- buying your first home
- significant financial hardship
- serious illness
- congenital conditions that are life-shortening
- permanent emigration to a country other than Australia
- after you turn 60 you may be able to access amounts transferred from Australia
- meeting a tax liability on a transfer from a non-Australian foreign superannuation scheme.

The amount that can be withdrawn may exclude some contributions, which must remain in your KiwiSaver account.

Read more about early withdrawal types, and any special conditions, below.

Withdrawals to buy your first home

You may make a once-only withdrawal from a KiwiSaver scheme to purchase your first home (including an interest in a private residence on Māori land) if all of the following apply:

- the land or house you are purchasing is in New Zealand
- you have been a member of KiwiSaver (or a complying superannuation fund) for at least three years
- the land or house you are buying is intended to be your principal place of residence
- you have never made a first home purchase withdrawal from KiwiSaver before
- you have never owned property before (limited exceptions apply).

You can withdraw almost all of your KiwiSaver savings – but you need to leave at least $1,000 in your account. In addition, you cannot withdraw any amounts transferred to your BNZ KiwiSaver account from an Australian Complying Superannuation Scheme.

To apply, fill out a Home Purchase Withdrawal Application form and supporting documents, and send them to us. Exactly what you need to send us will differ depending on whether the purchase agreement on the property you want to buy is conditional or unconditional. Please see the Home Purchase Withdrawal Application form at **bnz.co.nz/kiwisaverhomepurchaseapplication** for the detailed requirements.

Make sure you allow enough time to make the application. Any withdrawal request should be made at least 10 to 15 business days **before** you need the money. You will not be able to make a first home withdrawal after you become the legal owner of the property on your settlement date.

You will remain a member of the Scheme after we've paid a first home withdrawal.

If you have owned a home before, you may still qualify for a first home withdrawal from KiwiSaver. However, Kāinga Ora will need to first decide whether you are able to apply. If they decide that you are in the same financial position as a first home buyer, you will need to give us the letter they produce along with your withdrawal application.

For more information about being a qualifying previous home owner, see the Kāinga Ora website www.kaingaora.govt.nz

First Home Grant

Under current Government policy, those who qualify for a first home withdrawal may also be eligible to apply to Kāinga Ora for a First Home Grant.

For more information visit the Kāinga Ora website www.kaingaora.govt.nz

Withdrawals for significant financial hardship

You may be able to make a withdrawal if you suffer, or are likely to suffer, significant financial hardship. For example, if you are unable to:

- meet your minimum living expenses
- meet the mortgage payments on your home where your lender enforces its mortgage
- pay medical bills for a dependent or yourself
- pay to modify your home to meet your special needs or those of a dependent caused by disability
- meet funeral costs if a dependent dies.

You can apply by making a withdrawal request. You'll also need to do all of the following:

- give a statutory declaration of your assets and liabilities
- provide evidence that you are suffering or are likely to suffer significant financial hardship as defined under the KiwiSaver Act
- show that all reasonable alternative sources of funding have been explored and exhausted.

We will pass your application to the Supervisor (The New Zealand Guardian Trust Company Limited) for their approval. The Supervisor can limit the withdrawal to an amount it decides is all you need to alleviate your significant financial hardship. That amount will not include any of the $1,000 kick-start (if you received one) or any Government contributions you have received.

It can include any amounts transferred to your KiwiSaver account from an Australian Complying Superannuation Scheme, but only when your withdrawable New Zealand -sourced contributions (which will be paid to you first) are insufficient.

You will remain a member of the Scheme after your significant financial hardship withdrawal is paid.

Withdrawals for serious illness

You may be able to withdraw all of your KiwiSaver savings if you have an injury, illness or disability that results in either:

- you being totally and permanently unable to engage in work for which you are suited by experience, education or training, or any combination of those; or
- serious and imminent risk of death.

You will need to complete a withdrawal request (including a statutory declaration) and provide evidence (such as medical evidence) that you are suffering from a serious illness.

Withdrawals for congenital conditions that are life-shortening

You may be able to make a withdrawal if you were born with one of the following listed conditions:

- Down syndrome (Down's syndrome);
- cerebral palsy;
- Huntington's disease (Huntington's chorea); or
- fetal alcohol spectrum disorder.

You may also be able to make a withdrawal if you were born with a condition that is not one of the conditions listed above, but is shown by medical evidence to be likely to reduce your life expectancy (or the life expectancy of people in general with the same condition) below the age of 65.

You can apply by making a withdrawal request. You'll also need to do the following:

- give a statutory declaration to acknowledge that you understand the consequences of making the withdrawal
- provide a medical certificate (such as a doctor's certificate) that you have a life-shortening congenital condition; and
- if your condition is not one of the conditions listed above, provide medical evidence that the condition you have is life-shortening for you or for people in general with the same condition.

We will pass your application to the Supervisor (The New Zealand Guardian Trust Company Limited) who will decide if you are able to make a withdrawal. If your application is approved you'll be treated as if you've reached your KiwiSaver Retirement Age. If you make a withdrawal because of a congenital condition that is life-shortening, you will be able to withdraw all of your account balance if you choose. You will no longer be eligible to receive any Government contributions, and your employer can stop their contributions.

Transfer on permanent emigration to Australia

If you permanently emigrate to Australia, you are not able to withdraw your KiwiSaver savings. Instead, you can transfer all of your KiwiSaver savings to an Australian Complying Superannuation Scheme that is willing to accept the transfer. The only exception is if your KiwiSaver savings are above the maximum amount set out in Australian legislation, in which case you will not be able to transfer any of your KiwiSaver savings. The Australian Tax Office website (**www.ato.gov.au**) provides information on Trans-Tasman retirement savings portability and the maximum dollar amount of KiwiSaver you can transfer.

Alternatively, your KiwiSaver savings can remain invested in the Scheme.

Withdrawal on permanent emigration to other countries

If you permanently move to any country other than Australia, and have been away for more than a year, you can apply to withdraw your KiwiSaver savings.

You will be able to withdraw all your savings except for any Government contributions and any amounts transferred from an Australian Complying Superannuation Scheme. Any Government contributions will be repaid to Inland Revenue. If you have any amounts that were transferred from an Australian Complying Superannuation Scheme, these will remain in your BNZ KiwiSaver account. Otherwise, your BNZ KiwiSaver account will be closed.

You will need to complete a withdrawal request (including a statutory declaration) and provide evidence that confirms you have permanently emigrated.

Withdrawing transfers from an Australian superannuation scheme

You may be able to withdraw amounts transferred to your KiwiSaver account from an Australian Complying Superannuation Scheme, ('Australian Sourced Amounts') from the age of 60. To do this you would need to be 'retired' as that term is defined by the relevant Australian legislation.

Withdrawing to meet tax liability on transfer from a non-Australian foreign superannuation scheme

You may be able to make a withdrawal from your KiwiSaver account to pay any New Zealand tax liability or student loan repayment obligation. You can only do this if the liability happens because you transferred amounts from a foreign (non-Australian) superannuation scheme to a KiwiSaver scheme.

In some circumstances, the withdrawal may trigger a foreign tax liability. We recommend seeking independent tax advice before making a transfer from a foreign superannuation scheme to the Scheme.

Withdrawal amounts will reflect the unit price

When you invest with BNZ KiwiSaver, you are issued units in the Fund or Funds of your choice. These units have a unit price, which reflects the value of the assets of the Fund you are invested in. So when you make a withdrawal, the amount you receive will be calculated using the unit price of the Fund you are withdrawing from, and adjusted for any fees, taxes, expenses or other deductions applicable to your account. This unit price may go up or down between the date you submit your withdrawal request, the date on which it is approved or received, and the date on which the relevant units are actually redeemed.

See Section 8 for how we calculate the unit price.

How to request a withdrawal

You can request a withdrawal by completing the relevant withdrawal form and dropping it into us at any BNZ branch or sending it to us.

Please contact us if you'd like us to send a withdrawal form to you, or you can download the forms from our website **bnz.co.nz/kiwisaverearlywithdrawals**

How long until we make payment?

It may take some time to consider an early withdrawal request and we may ask you for further evidence to support your application. The early withdrawal process can take several weeks.

Once a withdrawal request is approved, you will normally receive payment within 10 to 15 business days.

Your KiwiSaver becomes part of your estate after death

Your personal representatives should contact us in the event of your death.

If your KiwiSaver savings are less than the prescribed amount (currently $15,000) and certain other conditions are met, we may pay your BNZ KiwiSaver savings direct to a person authorised by the law to receive them. This could be a surviving spouse or partner.

Otherwise, we will work with your personal representatives to make the process of dealing with your BNZ KiwiSaver account as simple as possible during a difficult time.

Having a current Will is important to ensure your personal representative understands how you wish your estate to be administered.

We may defer payment

We may at any time, defer payment subject to the KiwiSaver Act, of any withdrawal, transfer or switch (where the law allows) if we think it would not be in the best interests of BNZ KiwiSaver members.

We may close your account

We may choose to close your BNZ KiwiSaver account if it has nothing in it (a zero balance) or you are over your KiwiSaver Retirement Age and have less than $1,000 in your account. We will contact you before we do this.

4. More about your investment options

Each of the Funds that are available in the BNZ KiwiSaver Scheme has a different mix of income and growth assets, with the exception of the Cash Fund, which invests solely in income assets.

Growth assets generally have higher levels of risk with the potential for higher returns and include the following investments:

- Australasian equities
- International equities

An example of Australasian and International equities is company shares. Equities can also cover other securities types such as listed property. Australian equities can form part of the investment mix for both Australasian equities and International equities.

Income assets generally have lower levels of risk and potential returns, and include the following investments:

- Cash
- Cash equivalents (for example, bank term deposits, bonds, bills and floating rate notes with a maximum term of 365 days)
- New Zealand and international fixed interest (for example, bonds with terms of more than 365 days).

Both active management (selecting and trading specific investments) and passive management (automatically purchasing and selling investments to mirror the holdings of an index) have a place in investment management. The degree to which each of the Funds uses active management and passive management varies.

5. More about fees

There are other fees and expenses that may be incurred.

Other fees and expenses

Where we invest in underlying funds (managed by us or by our underlying investment managers) or use BNZ bank accounts, we will pay the fees and expenses from the annual Fund charges we receive. Currently, there are no additional fees payable by you. We will let you know if this changes.

Buy/Sell spread

Whenever you make a change which requires you to buy or sell units in a Fund, the estimated transaction cost the Fund incurs when it transacts will be reflected in the relevant unit price (known as a ‘spread’). For example, spreads will generally apply when making a contribution, switching to a different Fund, making a withdrawal or closing your account.

The indicative spread applied to the unit price for transactions is available in the Product Disclosure Statement. The table below sets out the range of our estimated transaction costs in normal market conditions.

The cost of buying or selling investments can change as market conditions change. The costs are more likely to move significantly when markets are stressed. Therefore, these spread ranges may increase or decrease at any time, without notice to you.

You can locate the current buy/sell spreads at **bnz.co.nz/kiwisaverspreads** and more information about spreads at **bnz.co.nz/buysellspreads**

Fund	Estimated spread ranges for contributions and withdrawals (including switches).
Growth Fund	0-0.30%
Balanced Fund	0-0.30%
Default Fund[1]	0-0.30%
Moderate Fund	0-0.30%
Conservative Fund	0-0.30%
First Home Buyer Fund	0-0.30%
Cash Fund	Not applicable

[1] The Default Fund will be available for investment from 1 December 2021.

6. KiwiSaver and transfers

You can transfer between KiwiSaver schemes at any time by contacting the provider of the scheme you'd like to transfer to. You can only be a member of one KiwiSaver scheme at a time.

You can transfer your Australian Superannuation to KiwiSaver

If you have retirement savings in an Australian Complying Superannuation Scheme and have permanently moved to New Zealand, you can transfer these savings to BNZ KiwiSaver.

Some things you should know are:

- Transfers can only be made from a scheme regulated by the Australian Prudential Regulation Authority.
- The transfer must be to and from an account in your name.
- Government contributions are not payable on Australian sourced amounts.
- You can't transfer this amount to another country (other than back to Australia) or cash it in as part of a permanent emigration withdrawal.
- You won't be able to withdraw amounts transferred to purchase a first home, and they won't be included as eligible contributions for the First Home Grant.
- The transfer of your Australian sourced amounts to New Zealand is exempt of New Zealand tax.

For help on how to transfer, please contact us on **0800 269 5494**.

Potential tax consequences of transferring UK pension money within KiwiSaver

If you have previously transferred United Kingdom (UK) pension money into your KiwiSaver account, there may be UK tax consequences if you choose to transfer to another KiwiSaver scheme or withdraw any amount from your KiwiSaver account. We encourage you to seek independent financial advice because none of the parties involved in the Scheme are responsible for any UK tax consequences arising from any transfer or any permitted early withdrawals.

You can no longer transfer any amounts from a UK Pension fund to a KiwiSaver scheme.

7. More about investment risk

All investments involve risk. Risk is the likelihood of not getting all your money back or getting a different return than you expect. In addition to the risks set out in Section 4 of the Product Disclosure Statement, there are other risks that may affect BNZ KiwiSaver and the Funds. The table below is a summary of some of these risks and how we seek to reduce or manage them.

Risk	Description and how we manage risk
Derivative risk	A derivative is a financial instrument that has its value based on the value of an actual financial asset, index or rate (such as a particular currency, equity, or fixed interest investment). The performance of a derivative and the actual financial asset, index or rate it is based on may not be identical. In addition, where derivatives are used to increase the exposure to selected investments, gains or losses in the value of the derivative may be more than the gains or losses of the actual financial asset, index or rate. The use of, and exposure to, derivatives in the Funds, and the underlying investment funds in which they invest, is limited. Derivatives may be used to manage risks, make investments in a more efficient manner and/or enhance returns, but cannot be used to leverage the Funds. We regularly monitor derivatives positions to ensure that their implementation is consistent with the Statement of Investment Policy and Objectives.
Currency risk	The risk that the value of a Fund changes due to ups and downs in the exchange rate between the New Zealand dollar and other currencies. This risk arises when a Fund has investments in countries other than New Zealand. The degree of currency risk within each Fund will depend on how much foreign currency exposure is hedged to the New Zealand dollar. Hedging seeks to reduce the effect of changes in the exchange rate between the New Zealand dollar and foreign currencies. We aim to fully hedge the international fixed interest foreign currency exposure, and the foreign currency exposure arising from the Australian equities held within the Australasian Equities asset class. We aim to hedge 60% of the international equity currency exposure, but from time to time we may target a different hedging position to this, based on our assessment of the economic and financial market environment.
Asset Allocation risk	The risk that the allocation of a Fund's assets, across different asset classes, affect a Fund's returns. Funds that invest more in growth assets (such as equities) carry greater risk but offer the potential of higher returns than Funds that invest more in income assets (such as cash or fixed interest). Short-term ups and downs in the value of a Fund are common, particularly for Funds invested in growth assets. The value of income assets can go up and down as well but generally to a lesser extent than growth assets. We offer a range of Funds, with varying strategic allocations to income and growth assets, to cater for differing investor risk profiles. In addition, for each of the Funds (apart from the Cash Fund), we can move away from their target investment mix (set out in the Statement of Investment Policy and Objectives), based on our assessment of the economic and financial market environment.
Liquidity risk	The risk that investments of a Fund cannot be sold without having a significant impact on their value, or cannot be sold at all. This risk is more likely to occur in times of market stress. You may not be able to withdraw some or all of your money when you want to, because withdrawals from one of more of the Funds that you invest in may be suspended. Liquidity risk is carefully considered as part of the Funds' design. The Funds' liquidity is maintained by investing in authorised investments that have significant levels of liquidity themselves, and holding some operational cash to help pay redemptions and expenses. The Funds' liquidity characteristics, and those of the authorised investments, are monitored on a regular basis.
Manager risk	The risk that decisions made by us, and the managers of the underlying investment funds we use, may positively or negatively affect the return on your investment. In-depth due diligence on the overall competence and experience of the managers of the underlying investment funds is carried out prior to their appointment. Ongoing monitoring of the outcomes of the decisions made by us, and the managers of the underlying investment funds, enables the early identification of potential risks associated with these decisions and the swift implementation of actions to mitigate these potential risks.

Risk	Description and how we manage risk
Market risk	The risk that the value of a Fund changes due to factors that affect a particular financial market or markets. This could include things like changes in the inflation rate, changes in monetary policy by central banks, changes in taxation and regulation, global politics, changes in investor sentiment or a global pandemic. The Funds hold many investments across asset classes, countries, sectors, securities and styles of investing, to seek to reduce or manage this risk. In addition, for each of the Funds (apart from the Cash Fund), we can move away from their target investment mix (set out in the Statement of Investment Policy and Objectives), based on our assessment of the economic and financial market environment.
Interest rate risk	Interest rate changes can have a negative impact on a Fund's investment returns. This is particularly relevant for Funds with large amounts of cash and fixed interest investments. The Funds invest in a wide range of fixed interest investments across different markets, and maturing at different times, to seek to reduce or manage this risk.
Credit risk	If the issuer of a bond or a registered bank doesn't pay what they owe to us, then a Fund's investment returns could be negatively impacted. For example, a Government or corporate debt issuer might fail to make interest or principal payments, or a registered bank might not pay interest or honour a withdrawal request. The Funds invest in a wide range of fixed interest investments, which primarily have an investment-grade rating, to manage or reduce this risk.
Concentration risk	The risk that the value of a Fund changes because it has a high exposure to an underlying investment fund or specialist investment manager, specific company, sector, country, region, or financial market. We seek to manage and reduce this risk by ensuring that each Fund's investments are varied across companies, markets and managers.
Legislative risk	New laws or changes to existing laws could have a significant impact on an investment in the Scheme (including its returns), or on how we manage the Scheme. For example, the Government may change the rules about the amount of Portfolio Investment Entity (PIE) tax payable (see also 'Tax risk', below). We manage this risk by regularly communicating with our regulators and by monitoring legislative change, so we can keep you up to date.
Operational risk (including third party supplier risk)	The value of your investment in our Funds could drop, or you may not be able to withdraw your investment, if we, or anyone used by us to provide services, fail to do what we, or they agree to do. Examples could include system failures, fraud, default or business disruption. We have policies and procedures in place to reduce or manage this risk.
Tax risk	If the Scheme lost its Portfolio Investment Entity (PIE) status, it would be taxed at the highest rate of 28% instead of the prescribed investor rates of individual members. This could affect the returns to members. We have policies and procedures in place to manage our compliance with the PIE tax rules.
Product risk	When we make changes to the Scheme, they may negatively affect the value of your investment or change the risk profile of your Fund choices. For example, we may change the range of investments, the managers we use or the fees we charge. We only make changes to the Scheme after consulting with or providing notice to our Supervisor.
Deferral of payments	If we decide that paying withdrawals, processing transfers or allowing Fund switches for any Fund is not in the best interests of Scheme members generally then we may delay doing so. We would only do this in accordance with the law and the Scheme's Governing Document. We can only defer payments for up to 10 business days unless the Supervisor approves a longer period. We actively monitor our Funds to maintain enough liquidity (assets that can easily be turned into cash) to meet forecast withdrawals and reduce the chance of needing to defer payments.
Wind up	We may decide to wind up (stop providing) the Scheme or one or more of the Funds. If we decided to stop providing the Scheme or Fund, we would let you know. On wind-up, you may: • receive less than you have invested, depending on the performance of your investment, and • incur reasonable costs and fees as a result of the wind-up. No contributions or withdrawals would be able to be made while the Scheme or Fund is in wind-up.

8. How your investment is valued

Value of the Fund

The market value of each investment and the net asset values of the Scheme's Funds are calculated as set out in the Scheme's policies and Governing Document. The net asset value is the value of a Fund's assets less its liabilities.

The assets held by the Funds are generally valued each business day based on the last market prices (or unit prices) available for that day. Our Unit Pricing and Valuation Policy allows us to use alternative asset valuation methods, including asset valuation estimates, where the valuation of an investment asset is not readily available or not considered appropriate. This is very infrequent, and we will discuss any new alternative valuation method with the Supervisor before using it.

Understanding unit pricing

Calculating a unit price allows us to value your investment in a Fund. Each Fund's unit price is calculated by dividing the net asset value of that Fund by the number of units issued to members, and adjusted for buy/sell spreads (as applicable). Unit prices are generally calculated each business day.

In rare circumstances, specific transactions (for example, large transactions) may require us to adjust the unit price for that day. This allows us to pass on the costs incurred to those transacting.

The unit price that applies to a Fund on any business day is available at **bnz.co.nz/kiwisaverunitprices** or by contacting us.

9. Related parties and managing conflicts of interest

BNZ Investment Services Limited (BNZISL) is the Manager of the Scheme. It is a wholly owned subsidiary of the Bank of New Zealand (BNZ) which is ultimately owned by the National Australia Bank Limited.

Several related parties from the BNZ and the National Australia Bank Limited group of companies provide their services to us and to the Scheme. These companies may also receive fees from us or the Scheme for these services.

BNZISL (and BNZ) have policies and procedures to identify and manage any conflicts of interest. The Conflict of Interest Policy and the Gifts Policy provide a framework for identifying, declaring, managing and monitoring conflicts of interest. These policies and procedures require Directors of BNZ companies and BNZ staff to:

- disclose conflicts of interest (including gifts)
- refrain from making investment decisions regarding financial products for which they, personally, have a conflict of interest.

We also must notify the Supervisor before we enter into any related party transactions, and must carry out related party transactions in accordance with the terms of the Financial Markets Conduct Act 2013.

Managing people conflicts

BNZISL has directors, some of whom are senior executives of BNZ and may also be directors of other entities within the National Australia Bank Limited group. Directors of BNZISL and employees of BNZ may be members of the Scheme from time to time. Decisions made by directors or employees may be influenced by their investment in the Scheme and/or their other directorships. This affects all Funds.

We manage this conflict by having strong policies and procedures (as set out in the section above) to identify and manage actual and perceived conflicts of interest.

Managing related company conflicts:

Description of conflict of interest	Affected Funds	Why this may influence investment decisions and how we manage the conflict
Banking services: BNZ provides banking services to the Scheme, including transactional and foreign exchange services.	All Funds.	We may be influenced by our association with BNZ to use their banking services over other financial services. Where we use BNZ banking services, BNZ may receive commercial benefits and could pass on the cost of negative interest rates, should they arise. Banking services are provided to us on a commercial arm's length basis.
BNZISL is part of the Bank of New Zealand which is owned by the National Australia Bank Limited group. Some assets of the Scheme are invested in underlying funds managed or issued by companies that are also part of the Bank of New Zealand or National Australia Bank Limited group.	All Funds.	We may be influenced by our association with other companies within the Bank of New Zealand or National Australia Bank Limited group to prefer funds operated by related parties over those operated by independent third parties. We manage this conflict by ensuring that any arrangement between us is on a commercial arm's length basis. Investments selected by us are chosen after a robust investment selection process. We select investments that we consider appropriately reflect the risk profile and investment strategy and objective of the relevant Fund and are consistent with our investment philosophy.

10. More about tax

Selecting the right Prescribed Investor Rate (PIR) is important as it helps to ensure you do not over or under pay PIE tax. You should review, and if needed, update your PIR if your circumstances change such as starting a job or if your salary changes.

Based on the PIR you select, we will arrange for the tax that applies to your investment in BNZ KiwiSaver to be paid on your behalf. The amount of tax we will pay is based on your PIR and your share of the investment's taxable income. Tax will also be paid if you withdraw, transfer or switch some or all of your KiwiSaver savings between Funds. If we receive a tax refund for you, we will use it to issue more units to you.

Selecting the correct PIR is important.

- If you select a PIR that is too high, you may be eligible for a refund of any overpaid tax from Inland Revenue.
- If you select a PIR that is too low, your investment income will still be taxable at your correct PIR and you will need to pay any tax shortfall directly to Inland Revenue.

You can find out how to work out your PIR online at **ird.govt.nz/pir**

11. The Governing Document and our default provider appointment

Put simply, the Governing Document contains the rules governing the management and administration of the Scheme.

Both we (as Manager) and the Supervisor must meet (and continue to meet) our obligations under the Governing Document.

The Governing Document details things like:

- How the Funds have been established.
- How both we and the Supervisor are appointed (and removed or replaced), our powers, duties and functions, and that we are entitled to be paid for our services.
- Rules governing the administrative aspects of the Scheme including establishment and maintenance of member accounts and how the Scheme must be distributed if it is wound up.

A copy of the Governing Document is available at **companiesoffice.govt.nz/disclose**

We are a default KiwiSaver scheme provider appointed by the Government by an Instrument of Appointment. The Instrument of Appointment explains the terms and conditions of our appointment as a Default KiwiSaver Provider and the service standard we must meet.

We're continuing as one of six default KiwiSaver providers chosen by the Government, but from 1 December 2021, the fund that new and existing default KiwiSaver members - who have been allocated to our Scheme by Inland Revenue - will be invested in, will change to our BNZ KiwiSaver Scheme Default Fund.

It's important to note that if you're an existing default member in the Conservative Fund and you haven't made a Fund choice before this change takes place, you'll be automatically moved to our new Default Fund. If you choose a Fund before the change takes place, including confirming you wish to stay in the Conservative Fund, you won't be automatically moved.

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