

# **BCF KiwiSaver Scheme**

## **Statement of Investment Policy and Objectives**

17 April 2025

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## **1. Introduction**

### **1.1 Purpose**

This Statement of Investment Policy and Objectives (“SIPO”) applies to the BCF KiwiSaver Scheme (“the Scheme”).

The trustee of the Scheme is Arotahi Trust Limited (“Trustee”).

The purpose of the SIPO is to document the Trustee’s investment policy and objectives for the Scheme, including:

- the nature or types of investments that can be made (and the limits on those);
- the limits on the proportions of each type of asset invested in; and
- the methods used for developing and amending the investment strategy and measuring performance against the Trustee’s investment objectives for the Scheme.

In addition the SIPO:

- details the Trustee’s investment objectives for the Scheme;
- specifies the investment strategy adopted for the purpose of meeting those investment objectives;
- sets out the constraints that need to be observed in relation to the investment management operations of the Scheme;
- specifies the terms of the investment mandates and constraints that would need to be observed by any investment managers (if appointed);
- sets out the process for reviewing the investment strategy and updating the SIPO; and
- details the process to follow in the event of a breach of the SIPO.

### **1.2 Review of the SIPO**

The SIPO will be reviewed at least every two years to assess its ongoing suitability in light of the circumstances of the Scheme and the prevailing economic and legislative environment, with the next such review due no later than November 2026.

In the event of a major change to the purposes or the circumstances of the Scheme or a major event impacting the Scheme’s investments or investment strategy the Trustee may consider an earlier review.

Any review of the SIPO will be carried out by the Trustee in consultation with an Investment Consultant.

Changes to the SIPO will be made by resolution of the directors of the Trustee and the updated SIPO will be lodged on the Register of Managed Investment Schemes (“Schemes Register”) as required by the Financial Markets Conduct Act 2013 (“FMCA”).

The Scheme (which is offered only to members of the Plymouth Brethren Christian Church) is registered under the FMCA as a restricted KiwiSaver scheme, and a copy of the current version of the SIPO is available on the Schemes Register at [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz) (select *Search for a scheme* and enter *BCF*).

The SIPO is also available for download on the Scheme's website at [www.bcfkiwisaver.co.nz/scheme-investments/](http://www.bcfkiwisaver.co.nz/scheme-investments/).

### **1.3 Responsibilities of the Trustee**

The Trustee is responsible for managing the Scheme, and this includes approving, maintaining and amending the SIPO.

The details of the Trustee's directors from time to time can be found on the Companies Office website at <https://companies-register.companiesoffice.govt.nz/>.

The FMCA requires the Trustee, when exercising any powers or performing any duties, to exercise the care, diligence and skill that a prudent person of business would exercise in the same circumstances. The Trusts Act 2019 also contemplates that when exercising any power of investment the Trustee may have regard to the following matters, as far as they are appropriate to the circumstances of the Scheme:

- the objectives of the Scheme or the permitted purpose of the Scheme;
- the desirability of diversifying Scheme investments;
- the nature of existing Scheme investments and other Scheme property;
- the need to maintain the real value of the capital or income of the Scheme;
- the risk of capital loss or depreciation;
- the potential for capital appreciation;
- the likely income return;
- the length of the term of the proposed investment;
- the probable duration of the Scheme;
- the marketability of the proposed investment during, and on the expiry of, the term of the proposed investment;
- the aggregate value of the Scheme property;
- the effect of the proposed investment in relation to the tax liability of the Scheme;
- the likelihood of inflation affecting the value of the proposed investment or other Scheme property; and
- the Trustee's overall investment strategy.

### **1.4 Investment managers**

As at the date of this SIPO the Trustee has not appointed an investment manager but it may do so in future.

### **1.5 Scheme details**

The Scheme is designated as a restricted KiwiSaver scheme under the FMCA. The purpose of the Scheme is to provide retirement benefits directly to individuals who are members of the Plymouth Brethren Christian Church, in accordance with the FMCA and the KiwiSaver Act 2006.

The Scheme was established by a trust deed date 31 August 2010 and is currently governed by a trust deed dated 9 November 2021 ("Trust Deed"). A copy of the Trust Deed is available on the Schemes Register at [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz).

## **1.6 Tax**

The Scheme is a portfolio investment entity ("PIE") for the purposes of the Income Tax Act 2007. Its taxable investment income is attributed in appropriate shares to each member and taxed at that member's prescribed investor rate ("PIR").

## **1.7 Document history**

The initial SIPO for the Scheme (which began operating in April 2011) was dated 1 December 2010. The SIPO has since been amended as follows:

<b>Amendment Date</b>	<b>Purpose</b>
13 September 2016	To incorporate the changes necessary to ensure compliance with the FMCA and related legislation.
26 July 2019	To reflect changes in the Trustee's investment strategy.
9 December 2020	To reflect changes in the Trustee's investment strategy.
16 November 2022	To reflect changes in the Trustee's investment strategy and make other minor updates.
28 August 2024	To reflect a small change to the description of the benchmark asset allocation for the Main Pool.
18 November 2024	To reflect changes in the Trustee's investment strategy and widen the Scheme's range limits and operating ranges.
17 April 2025	Primarily to reflect changes to the Benchmark Asset Allocation and ranges (see section 5.2) and to clarify the Trustee's liquidity and rebalancing policies.

## **1.8 Effective date**

The SIPO is effective from 17 April 2025 until it is reviewed.

## **2. Background**

### **2.1 Key provisions**

The Scheme operates to enable members of the Plymouth Brethren Christian Church (defined as “Brethren Members” in the Trust Deed) to save for their retirement.

Employed members can choose to contribute to the Scheme from their after-tax pay at the rate of 3%, 4%, 6%, 8% or 10% of their gross (i.e. before-tax) salary or wages. Whilst they are contributing, those members’ employers must contribute to the Scheme at the before-tax rate of 3% of gross salary or wages and employer’s superannuation contribution tax is deducted from the employers’ contributions.

Under current legislation, government contributions of 50 cents for every dollar of member contributions are provided to the Scheme, up to a maximum government contribution of \$521.43 per annum, while members are aged between 18 and 65 and are principally resident in New Zealand. For more information about government contributions, see the *Other Material Information* document at [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz) (select *Search for an offer* and enter *BCF*).

Contributions to the Scheme are pooled with the investments of other Brethren Members and invested according to this SIPO.

### **2.2 Main Pool and Segregated Pool**

There are potentially two separate and distinct investment pools within the Scheme, as follows:

- the “Main Pool”, which is intended solely for members of the Plymouth Brethren Christian Church; and
- the “Segregated Pool”, which is intended primarily for any Scheme members who (after joining the Scheme) cease to break bread with Plymouth Brethren Christian Church members, as determined by the Trustee.

If assets are attributed to the Segregated Pool, then both it and the Main Pool will contain their own, separately identifiable, assets.

As at the date of this SIPO, a small amount of assets have been attributed to the Segregated Pool. These are held in an ANZ Bank deposit account.

### **3. Investment Pools in the Scheme**

#### **3.1 Main Pool**

As at the date of this SIPO:

- Brethren Members do not have any choice of investment options within the Main Pool.
- Until such time as the assets of the Scheme reach a certain minimum size (as determined by the Trustee) the Trustee's current investment strategy is:
  - to invest the Main Pool's assets principally in cash and cash equivalent investments comprising term deposits with New Zealand-registered banks; but
  - also to have modest exposures (either directly or through other managed investment schemes whose investors are all members of or organisations within the Plymouth Brethren Christian Church) to New Zealand fixed interest investments comprising loans made on arm's length terms to organisations within the Plymouth Brethren Christian Church.

Once the assets of the Main Pool have reached a sufficient size (as determined by the Trustee) the Main Pool's investments may be diversified into other investment types consistent with Plymouth Brethren Christian Church investment principles. Those other investment types may include, without limitation, one or more of the additional specific permitted investments that are listed in section 4.3.

At a later date, the Trustee intends considering whether or not to provide members with a choice of investment options, such as a Balanced Investment Option (which may be the default strategy for new joiners), a Conservative Investment Option and a Growth Investment Option.

#### **3.2 Segregated Pool**

Any balances held in the Segregated Pool from time to time must be invested solely in deposits with New Zealand-registered banks.

## **4. Investment Beliefs and Permitted Investments**

### **4.1 Fundamental investment belief**

It is a fundamental investment belief of the Trustee that (except as may be necessary in connection with operating any Segregated Pool maintained from time to time) the assets held for members of the Scheme can be pooled only with the investments of other members of the Plymouth Brethren Christian Church. This means that, for example:

- investments in stock exchange listed securities are not permitted, as such securities can also be held by persons who are not members of the Plymouth Brethren Christian Church; and
- investments in other managed investment schemes are not permitted, unless all investors in those schemes are members of or organisations within the Plymouth Brethren Christian Church.

The Trustee will decide in its absolute discretion whether or not a particular investment is a permitted investment in terms of this fundamental investment belief.

Other than this overarching restriction there are no particular limits on the nature or type of investments that the Trustee may decide from time to time to invest in for the purposes of the Scheme.

### **4.2 Other investment beliefs**

Asset allocation drives the large majority of the Scheme's investment returns.

Although the primary determinant of investment returns and risks (and therefore of investment results) is long-term strategic asset allocation, value can be added by making tactical asset allocation tilts from time to time, and accordingly asset allocation is to be managed on an active basis within the agreed ranges.

Diversifying the Scheme's investment portfolio will deliver more consistent returns over time.

Direct investments into debt or property securities can be managed effectively by the Trustee so as to generate incremental additional return and/or reduce overall risk.

Good governance and strong decision-making processes will deliver better investment outcomes over time.

Fees, taxes and other costs all materially contribute to reducing the Scheme's real returns. Minimising the Scheme's costs is an important factor in meeting the Scheme's investment return objectives.

### **4.3 Specific permitted investments**

For the avoidance of doubt, permitted investments may include (without limitation) any of the following:

- Deposits with banks that are registered in New Zealand under the Banking (Prudential Supervision) Act 1989;
- New Zealand government securities, including Treasury Bills;
- Debt securities issued by New Zealand local authorities;



- Shares in businesses owned by members of the Plymouth Brethren Christian Church;
- Mortgage-backed or other loans to members or organisations within the Plymouth Brethren Christian Church;
- Investments in commercially tenanted or other real property owned by organisations within the Plymouth Brethren Christian Church; and
- Investments in other managed investment schemes established for (and whose other investors are all members of or organisations within) the Plymouth Brethren Christian Church.

**4.4 How these views are expressed**

The Trustee's investment strategy for the Scheme has been developed in accordance with the above investment beliefs.

**4.5 Custody of investments**

The assets of the Scheme are held by and in the name of the Trustee.

**4.6 Investments of the Main Pool and any Segregated Pool to be separated**

The Main Pool and any Segregated Pool shall contain their own separately identifiable assets. Commingling, for investment management purposes, of the assets of the Main Pool and any Segregated Pool is not permitted.

## 5. Main Pool - Investment Objective and Strategy

### 5.1 Investment Objective

The current investment performance objective for the Main Pool is to achieve a rate of return (before investment costs and tax) which exceeds the return from the S&P/NZX Bank Bills 90-Day Index over rolling one year periods.

### 5.2 Benchmark Asset Allocation

The Trustee's current benchmark (or target) asset allocation and permitted ranges for the Main Pool are as follows:

Asset Class	Benchmark	Range Limit	Operating Range
Cash and Cash Equivalents	85%	60% - 100%	65% - 95%
New Zealand Fixed Interest	15%	0% - 40%	5% - 35%

The assets held in any Segregated Pool are to be 100% invested in Cash and Cash Equivalents, comprising deposits with a New Zealand bank.

In the above table:

- **Cash and Cash Equivalents** means investments in short term and highly liquid securities such as government treasury bills and bank term deposits. This category includes investments in managed investment schemes whose underlying holdings are primarily of a cash or cash equivalents nature
- **New Zealand Fixed Interest** means investments in debt securities issued by New Zealand entities. This category includes but is not limited to government, local authority and corporate debt, and investments in managed investment schemes whose underlying holdings are primarily of a New Zealand Fixed Interest nature.

The Trustee may alter the benchmarks and ranges at any time by amending this SIPO (see section 1.2).

### 5.3 Variations from Benchmark Asset Allocation

Subject to the permitted investment ranges, the Scheme's actual asset allocations may vary materially from the benchmark asset allocation mix during any period between:

- when the Trustee divests from a direct loan investment or from an investment in another managed investment scheme; and
- when the Trustee identifies an alternative New Zealand Fixed Interest investment (or investments).

The Scheme's actual asset allocations will also vary from the benchmark asset allocation mix as market conditions change or due to cash flows.

The Trustee may adjust the Scheme's asset allocation mix away from the benchmark mix from time to time (subject to the permitted investment ranges) in order to pursue tactical investment opportunities or to seek to protect asset values during periods of market volatility.

#### **5.4 Investments to be diversified and high quality**

To the extent practicable, investments shall be well diversified. Currently, in order to achieve this:

- assets held in bank deposits must be invested in deposits with at least four New Zealand registered banks;
- no more than 30% of the total net assets of the Scheme shall be deposited with any one bank;
- no more than 10% of the total net assets of the Scheme shall be invested directly or indirectly in New Zealand Fixed Interest securities (excluding cash and cash equivalents) issued by any single entity other than the New Zealand Government; and
- no more than 40% of the total net assets of the Scheme shall be invested into other managed investment schemes.

#### **5.5 Liquidity**

The Trustee requires liquidity to meet payment obligations that include:

- operational expenditure;
- asset allocation rebalancing requirements; and
- benefit payments to members (who can access some or all of their balances after reaching age 65, and earlier in certain circumstances such as buying a first home or necessity to alleviate significant financial hardship).

Members can also transfer to another KiwiSaver scheme at any time, although the Scheme experiences relatively few such transfers because it is the only KiwiSaver scheme managed consistently with the beliefs of Plymouth Brethren Christian Church members.

The Trustee will ensure that liquidity is maintained at an appropriate level. In determining this, the Trustee will consider historical withdrawal and transfer patterns, both in normal circumstances and in stressed liquidity environments. A key consideration will be the requirement to meet cash flow needs without adversely impacting on member equity.

In managing liquidity risk, the Trustee will:

- review the Scheme's liquidity requirements on a 3-yearly basis;
- consider liquidity when setting and reviewing asset allocations;
- receive annual updates on the liquidity policies of any underlying managed investment schemes in which the Scheme invests.

#### **5.6 Review of Investment Objective and Benchmark Asset Allocation**

Once the assets of the Main Pool have reached a certain critical size (to be determined by the Trustee), it is the Trustee's intention to review the investment objective, investment strategy and specific permitted investments for the Main Pool.

## **6. Investment Managers**

### **6.1 Trustee may appoint an investment manager**

The Trustee may, in its absolute discretion, delegate the investment of some or all of the assets of the Scheme to one or more investment managers.

At the date of this SIPO, however, the Trustee has decided not to make such an appointment, as the current strategy involves investing Scheme assets only in:

- term deposits with New Zealand-registered banks; and
- loans made on arm's length terms to organisations within the Plymouth Brethren Christian Church, with those loan investments made and held either:
  - directly; or
  - through holding units in other managed investment schemes whose investors are all members of or organisations within the Plymouth Brethren Christian Church.

### **6.2 Investment manager restrictions**

If the Trustee decided to appoint an investment manager to invest some or all of the assets of the Scheme, the investment manager would be required to:

- invest the relevant assets of the Scheme consistently with section 5 as amended from time to time;
- adhere to the investment restrictions contained in section 4;
- provide reports to the Trustee and any Investment Consultant as and when (and in the form) required by the Trustee;
- provide information on changes in its key personnel; and
- attend Trustee directors' meetings when requested.

### **6.3 Investment Consultant**

The Trustee may appoint an Investment Consultant to assist the Trustee in investment matters as required from time to time. If the Trustee decided to appoint an Investment Consultant, the responsibilities of the Investment Consultant would include:

- to advise the Trustee with respect to investment matters relating to its duties under the FMCA;
- to assist the Trustee in reviewing the Scheme's investment objectives and strategy and other aspects of the SIPO, when requested by the Trustee;
- to provide advice on the investment mandate of any investment manager;
- to assist the Trustee in appointing and contracting with investment managers;
- to monitor the performance of any duly appointed investment managers;
- to provide general advice to the Trustee on investment matters when requested;
- to attend Trustee directors' meetings when invited; and
- to provide the Trustee with such additional information as it may require from time to time upon request from the Trustee.

## **7. Investment Monitoring**

### **7.1 Monitoring compliance**

The Trustee monitors compliance with this SIPO, and the Scheme's performance against the investment objective set out in section 5.1, over rolling six month periods, through the reporting provided to it by the Administration Manager for the Scheme (Melville Jessup Weaver Limited).

The Trustee formally reviews compliance with the SIPO at each Trustee board meeting, based on that information. Any required changes to the SIPO will be made as outlined in section 1.2.

### **7.2 Rebalancing**

The Trustee has adopted the following process for monitoring and, where necessary or appropriate, making changes to the Scheme's actual asset allocations.

If at any time the Trustee identifies that the Main Pool's allocation to an asset sector falls outside a Range Limit (see section 5.2), the Trustee must arrange for a rebalancing (such that the actual allocation is brought back within the Range Limit) within 5 working days of becoming aware of the excess variance.

If the allocation to an asset sector remains within a Range Limit but exceeds the Operating Range, the Trustee shall consider rebalancing (such that the actual allocation is brought back within the Operating Range) based on its view of market conditions, the likely risk and return characteristics of various investments, fees and costs, and any other such matters.

For the avoidance of doubt, the Operating Ranges are not limits – they simply describe the level of variance from benchmark beyond which the Trustee may begin making precautionary adjustments to asset allocations so as to prevent any limit break occurring.

For the avoidance of doubt, if the actual allocation to an asset sector varies from the benchmark but to an extent that is within the Operating Range, the Trustee may nevertheless at its discretion arrange for a rebalancing such that the allocation corresponds to or is nearer benchmark.

If at any time the Trustee identifies a breach of any of the diversification requirements set out in section 5.4, the Trustee must arrange for a rebalancing (such that the Scheme's actual asset allocation conforms to that requirement) to take place within 5 working days of becoming aware of the breach.

The Trustee intends that the primary mechanism for managing asset allocations within the Range Limits (and otherwise as set out above) will be the allocation of cashflow. However, to the extent that this is not possible or the Trustee determines otherwise, the asset sectors will be rebalanced through the purchase or sale of investments.

### **7.3 Limit break reporting**

If the Trustee determines that a limit break (see below) has occurred, and the required rebalancing is not made within the 5 working day period contemplated in section 7.2, then the Trustee must report this to the Financial Markets Authority ("FMA") as soon as practicable pursuant to regulation 94 of the Financial Markets Conduct Regulations 2014, together with the information prescribed in regulation 96.

Where the Trustee determines that a limit break has occurred but it is corrected within 5 working days, the Trustee must report it to the FMA following the quarter-end as required by clause 9 of the Financial Markets Conduct (Restricted Schemes—Disclosure and Reporting) Exemption Notice 2022.

In each case, the Trustee will also consider whether any action still needs to be taken in respect of the limit break, or whether any further compliance monitoring or assurance measures are required.

#### **7.4 Limit breaks**

For the purposes of this SIPO, a “limit break” is any material breach of any limits on either the nature or the type of investments that may be made by the Scheme or the proportion of each type of assets that may be invested in, in each case as set out in this SIPO.

Whether or not a breach of any limits on either the permitted nature or type of investments or the permitted proportion of each type of assets is “material” will be determined at the discretion of the Trustee. In considering whether or not the breach is material, the Trustee will give consideration to matters which may include:

- the nature of the breach;
- the size of the breach;
- its size in relation to the Scheme;
- the presence of any loss to members;
- whether the breach was the result of (or occurred in the context of) a related party transaction;
- whether there is any pattern to the breach or it is simply a one-off;
- whether the breach causes a statement in the Scheme’s register entry to be false or misleading;
- how quickly it was possible to remedy the breach; and
- the duration of the breach.

#### **7.5 Monitoring Investment Performance**

Performance against the Investment Objective set out in section 5.1 shall be monitored by the Trustee at each regular Trustee board meeting (these meetings typically occur quarterly).

As noted in section 5.1, as at the date of this SIPO the Scheme’s investment performance is benchmarked against the S&P/NZX Bank Bills 90-Day Index over rolling one year periods.

#### **7.6 Conflicts of interest**

As at the date of this SIPO the Trustee and its directors are not aware of any financial or other interest, relationship or other association of the Trustee (or its directors) that would, or could reasonably be expected to, materially influence the investment decisions of the Trustee in respect of the Scheme by way of creating any actual or potential conflict of interest.

However, the Scheme serves the Plymouth Brethren Christian Church community and as such the Trustee may invest in other Plymouth Brethren Christian Church community bodies with which one or more of the directors of the Trustee are associated.

If this is the case then it is our current policy that any such director will not be involved in deciding whether or not the Scheme will go ahead with that investment.

For details regarding how the Trustee will manage conflicts of interest more generally, see section 8 of the *Other Material Information* document for the Scheme which is available at [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz) (select *Search for an offer* and enter *BCF*).