MILFORD

Milford KiwiSaver Plan
Member Guide

Milford Funds Limited
7 June 2019

General information

In this Document

This document contains information about the Milford KiwiSaver Plan (‘Plan’), managed by Milford Funds Limited (‘Milford’, ‘we’, ‘us’ or ‘our’), how it operates. It should be read in conjunction with the Product Disclosure Statement (‘PDS’) and Other Material Information document.

This guide explains how you can join the Plan and the Milford KiwiSaver Funds (‘Funds’), how contributions can be made and by whom and how and when you can withdraw your money. It also covers how the Plan is structured and how tax affects your investment and the Plan itself.

Investing with Milford

See the PDS for details as to how to become a Member and an application form. You may only be a member of one KiwiSaver scheme at a time. You can also apply online at www.milfordasset.com/invest-now.

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Contributions

Employee contributions

See the PDS for details of required contributions to the Plan if you are an employee.

You can change your current contribution rate to either 3%, 4%, 6%, 8% or 10% of your salary or wages (as the case may be) at any time by notifying your employer accordingly. However, unless your employer agrees otherwise, you cannot change your contribution rate at intervals that are less than three months apart. The new contribution rate will apply to the next salary or wage payment after your employer receives that instruction.

You are entitled to take a savings suspension in the circumstances set out in the 'Savings suspension' section.

Employer contributions

At the date of this document, your employer is required to make fully vested (i.e. unconditionally allocated) employer contributions to a KiwiSaver scheme (or a complying superannuation fund) for your benefit, while you are contributing from salary or wages, if:

- you are at least 18 years of age;
- you have not reached the End Payment Date (see definition below); and
- you are not a defined benefit scheme member (as defined in the KiwiSaver Act).

As at the date of this document the compulsory employer contribution requirement is 3% of your salary or wages.

Salary or wages for compulsory employer contribution purposes excludes parental leave payments out of public money, ACC compensation, certain payments made under the Veterans Support Act 2014 and payments of New Zealand superannuation (as well as various other payments or amounts described in the KiwiSaver Act).

If an employer also contributes to a complying superannuation fund for your benefit then any compulsory employer contributions may be split between the Plan and the complying superannuation fund (as defined in the KiwiSaver Act) if agreed between you and your employer. If this is not agreed, your employer's compulsory contributions will be allocated to your KiwiSaver Plan balance first, up to the minimum amount required to meet the compulsory employer contribution obligations, with the remainder then allocated to your complying superannuation fund.

Non-employees

You can make contributions at any time if you are self employed, under 18, between 18 and 65 and not working.

State sector employees

If you are a State sector employee who already contributes to a state sector retirement savings scheme, you can still join the Plan. You will be required to contribute to the Plan an amount equal to either 3%, 4%, 6%, 8% or 10% of your salary or wages.

Voluntary contributions

You can also make additional regular or lump sum contributions to the Plan at any time. These contributions can be paid by cheque, direct credit or direct debit.

Government Contributions

You will be eligible for a KiwiSaver Government Contribution while you are contributing to the Plan and:

- are principally resident in New Zealand (or otherwise are an employee of the State services serving outside New Zealand or work overseas as a volunteer or for token payment for certain charitable organisations); and
- are aged 18 years or over; and
- have not reached the "End Payment Date", which is currently the latest of the date:
  - you reach the age of eligibility for New Zealand superannuation (currently 65 as at the date of this document);
  - that is 5 years after the date you became a member of a KiwiSaver scheme;
  - that is 5 years after the date on which the IRD first received a contribution from you for a KiwiSaver scheme; and
  - that is 5 years after the date on which you first became a member of a complying superannuation fund, and subsequently transferred that interest to a KiwiSaver scheme.

Note that from 1 July 2019, if you are aged 65 or more and otherwise eligible you will be able to join the Plan but you will not be eligible for Government Contributions.

As from 1 April 2020, Members who joined the Plan before 1 July 2019 and who were aged between 60 and 64 inclusive when they joined will be able to choose to access their KiwiSaver balance on reaching the age of 65 (however they will no longer be eligible for compulsory employer contributions or Government Contributions).

As at the date of this document, your Government Contribution amount is a contribution from the Government that will be equal to half of the total contributions made by you over a year (1 July to 30 June) up to a maximum of approximately $10 a week or $521.43 a year, depending on your contributions and the number of days you were eligible in that year to receive the Government Contribution.

We will submit a claim to the IRD after 1 July each year for your Government Contribution amount (if any) for the preceding year.

The amount of the Government Contribution is determined by legislation and may be subject to change. For more information, consult www.kiwisaver.govt.nz.

There are restrictions on withdrawing the Kickstart Contribution amount (if you received this) and any Government Contribution amount. See the section "Withdrawals" for more information.

Inland Revenue ('IRD') holding account

If the Plan is the first KiwiSaver scheme you join, then all contributions are received and held by IRD during the three month period after the earlier of:

- the date when your first contribution is received by IRD; and
- the date when IRD is given notice (or otherwise knows) that you are a Member of the Plan

Your contributions:

- will generally not be passed on to the Plan until as soon as practicable after the end of that three month period.

During that period:

- your contributions will be held by IRD in a tax-free interest-bearing holding account; and
- you can obtain information on your contributions direct from the IRD.

Switching funds

You are able to switch your investment at any time via your Milford Client Portal (see https://portal.milfordasset.com/login for details on how to register and access your account online). Alternatively, see the PDS or contact us on 0800 662 346 or at info@milfordasset.com for details around switching your investment between the Funds.

At the date of this document, we do not apply any entry, exit or switching fees. We may introduce or increase entry, exit or switching fees for a Fund in the future on written notice to you in accordance with the Milford KiwiSaver Plan Trust Deed ('Trust Deed').

Transfer from another KiwiSaver scheme

You may transfer your account balance into this Plan from any other KiwiSaver scheme, however you may only be a member of one KiwiSaver scheme at a time.

Transfer from an Australian superannuation fund

You may be able to transfer into this Plan from an Australian superannuation fund if you have permanently immigrated to New Zealand.

Transfer from a complying superannuation fund or workplace savings scheme

You may also transfer into the Plan from a complying superannuation fund or workplace savings scheme.

Savings suspension for employees

If you are an employee and 12 months or more have passed since the date your first contribution was received by the IRD or a KiwiSaver provider, or the date you first became a member of a complying superannuation fund you can suspend contributions for a minimum of three months and a maximum of one year. You may also apply to the IRD to suspend your contributions to the Plan prior to your first year of membership if you are suffering, or are likely to suffer, financial hardship. In these circumstances, the length of the savings suspension will be three months (unless IRD agrees to a longer period).

The IRD will contact you before your savings suspension expires and you may apply for a new savings suspension. There is no limit to the number of times you can take a savings suspension.

A savings suspension can be revoked or reinstated by you at any time by giving notice to your employer, requiring your employer to start or stop (as applicable) making deductions from your salary or wages. However, no savings suspension may be for less than three months unless your employer agrees.

Further details about savings suspensions are available from the IRD website at www.kiwisaver.govt.nz.

Ability to opt out if automatically enrolled

If you have been automatically enrolled in the Plan on starting new employment, you have 55 days within which to opt out of the Plan. Further details around opting out of the Plan are available by contacting us.

Contributions and other investments held on trust

All investments of the Plan are held on trust by the Supervisor or its appointed Custodian in accordance with the terms of the Plan's Trust Deed and the relevant regulatory and legislative obligations for the benefit of Members.

The Supervisor will keep records about the property of the Plan, obtain an assurance engagement in respect of the property and give reports in relation to the property.

The Supervisor or the Custodian must ensure that the property of the Plan is held separately from all other property held by the Supervisor, the Custodian or any related party of the Plan.

Neither we, nor the Supervisor, may permit any part of the investments of the Plan to revert to a contributor who is not a Member without the prior written consent of the Financial Markets Authority ('FMA').

Non-deduction notice

If you pass the End Payment Date, you may give a non-deduction notice to your employer stating that the employer must stop deducting contributions from your salary or wages. You may revoke the notice at any time by giving your employer three months' notice.

Withdrawals

There are a number of circumstances under which you may withdraw your money from your KiwiSaver account. Only the types of withdrawal that are listed in the KiwiSaver Scheme Rules are allowed ('Permitted Withdrawals'). The KiwiSaver Scheme Rules are determined by legislation and the criteria for Permitted Withdrawals may therefore change. For more information, consult www.kiwisaver.govt.nz.

We have a legal obligation to pay benefits in accordance with the Plan's Trust Deed. The Supervisor is responsible for determining whether benefits are payable if you make an application for a withdrawal on the basis of significant financial hardship or serious illness. We are responsible for determining whether benefits are payable in any other case. We are responsible for arranging for the payment of benefits to or in respect of Members, and for transfers to other KiwiSaver schemes or foreign superannuation schemes.

At the date of this document, the types of Permitted Withdrawals that can be made are when:

- you reach the End Payment Date;
- you qualify for a permitted early withdrawal (e.g. first home withdrawal, significant financial hardship, serious illness or death); or
- you transfer to another KiwiSaver scheme (or to a foreign superannuation scheme or Australian superannuation scheme).

In some cases, your Government Contribution amount cannot be withdrawn from the Plan. Additionally, you cannot withdraw your Government Contribution amount:

- before you (or your personal representative or relevant person where necessary) give us a statutory declaration stating the periods for which you have had your principal place of residence in New Zealand; and
- to the extent to which we have notice that your claim for the Government Contribution amount is wrong, because the periods during which you met the eligibility requirements were wrong.

A Permitted Withdrawal request must be made by correctly completing a Withdrawal Request Form available at the online client portal or by telephoning us on 0800 662 346 and complying with our withdrawal process. If all completed paperwork and required documentation is received by us by 3pm on a business day, withdrawal requests will generally be processed and units withdrawn using the closing unit prices for that business day. We will generally aim to make the withdrawal payment within three business days after the day used for the unit price.

We may deduct, from your account, costs and expenses incurred in processing your withdrawal request.

While it is intended that valid withdrawals will be processed at the next available unit price after a withdrawal request is received and the withdrawal process completed, the Supervisor may require up to 10 days' notice of withdrawal.

Withdrawal payments will only be made to a New Zealand domiciled bank account that you have provided.

Suspending withdrawals

We may defer payment of a Permitted Withdrawal where, due to certain circumstances arising (for example, political or market conditions) we form the opinion that it is not practicable, or would be materially prejudicial to Members, for such withdrawals to be made.

Key factors that determine the amount of your benefit

Apart from the amount of contributions you make, the key factors determining the returns you will get from investment into the Plan are:

- the investment performance of the Funds which you have selected for your contributions to be invested in (which may be positive or negative);
- the amount of other contributions, including by employers (if any) and any Government Contribution amount;
- the amount of the fees charged as set out in the PDS; and
- taxation applicable to your investment in the Plan.

No amount of return on your investment is promised or guaranteed. The value of your investment (measured through the unit price) will fluctuate upwards and downwards as the value of the underlying investments change.

Returns (i.e. withdrawals) are not paid on any particular date or any particular frequency. They depend on your eligibility to withdraw.

Lock-in

See the PDS for details of the general 'lock-in' of your investment, and when you can generally withdraw your investment.

Once the End Payment Date has been reached, you may withdraw some or all of your entitlement from the Plan at any time. This will typically be payable as a lump sum. However, you may also choose to defer such payment or receive regular installments after the End Payment Date. Note that if you join the Plan on or after 1 July 2019, your End Payment Date will be New Zealand Superannuation age (currently 65). From 1 April 2020, Members who enrolled before 1 July 2019 and who were aged between 60 and 64 inclusive when they enrolled will be able to choose to access their entitlement on reaching the age of 65.

Permitted early withdrawals

Purchase of your first home

The rules on eligibility for a withdrawal to purchase your first home are set by the Government under the KiwiSaver Act and may change from time to time. You should check with us, your solicitor or licensed conveyancer before making a first home withdrawal application. The current key requirements are set out in the following paragraphs.

You must have been a KiwiSaver member for at least three years. If you have previously been a member of another KiwiSaver scheme or a complying superannuation fund, then the combined membership will count towards the three-year period.

You may not make a withdrawal for the purpose of purchasing a home if you have previously made a withdrawal from the Plan or another KiwiSaver scheme for this purpose.

The amount withdrawn must be used to purchase a home that will be your principal place of residence and that home must be the first home you have ever purchased (except if you qualify as a 'second chance' home buyer - see below). The home must be in New Zealand and can include a house on Maori land.

The first home withdrawal can be used for the purchase of an existing home or land on which you plan to build your first home and for making an initial deposit on a home, provided the funds are protected until settlement.

You must leave at least $1,000 in the Plan when making a first home withdrawal.

The amount withdrawn will exclude any amount that was transferred from an Australian complying superannuation scheme (disregarding any positive or negative returns for the purpose of calculating that amount).

A first home withdrawal must be paid directly to your New Zealand solicitor (or licensed conveyancer) before the property purchase settlement date.

You will remain a Member of the Plan and, if you are an employee Member, must continue contributing to the Plan unless you have taken a savings suspension.

You may also be eligible to make a withdrawal to purchase a home as a 'second chance' home buyer if Housing New Zealand notifies us that your financial position (in terms of assets and liabilities) is what would be expected of a person who has never owned a home and you meet certain criteria.

For the purposes of determining whether you are purchasing your first home, holding or having held land in any of the following circumstances will be disregarded:

- as bare trustee;
- where it is a leasehold estate;
- certain other interests as a trustee;
- where it is an interest in Maori land.

If you are part of an employer plan within the Plan, then the relevant Participation Agreement will detail whether the employer's contributions that are not compulsory employer contributions (or the vested portion of those contributions) can be withdrawn for a first home purchase, and if so, whether there are any restrictions in that regard.

Contact us on 0800 662 346 or at info@milfordasset.com if you require additional details.

HomeStart grant

A HomeStart grant may be available to you if you satisfy certain conditions. For more information (including eligibility criteria for individuals), visit www.hnzc.co.nz.

You must have contributed at least the minimum percentage of your total income to a KiwiSaver scheme, complying fund or exempt employer scheme for at least three years.

Currently, there are two HomeStart grants:

- For purchasing an existing home, $1,000 for each year you've been a KiwiSaver member up to a maximum of $5,000; and
- For building or purchasing a new home, $2,000 for each year you've been a KiwiSaver member up to a maximum of $10,000.

If you have owned a home before, in some circumstances you may still be eligible for the HomeStart grant. Housing New Zealand will need to determine that you are in a similar financial position to a first home buyer.

You may only receive the HomeStart grant once.

The HomeStart grant is administered by Housing New Zealand Corporation and all enquiries in relation to eligibility for the grant should be directed to Housing New Zealand.

Grants are not payable from the Plan and neither we nor the Supervisor have any liability in relation to the grant.

Terms, conditions and further eligibility criteria will apply.

Death

In the event of your death, we must, on request by your personal representatives, and on receipt of all required documentation, pay your full Plan entitlement to your personal representatives. In accordance with the Administration Act 1969, small balances held (currently $15,000 or less) may be paid directly to a permitted recipient under that Act such as a surviving partner or caregiver.

Significant financial hardship

You may be able to make a withdrawal if the Supervisor is reasonably satisfied that you are suffering or likely to suffer from significant financial hardship.

Significant financial hardship is defined in the KiwiSaver Scheme Rules (available at www.legislation.govt.nz) to include significant financial difficulties arising because of:

- your inability to meet minimum living expenses;
- your inability to meet mortgage repayments on your principal family residence, resulting in the mortgagee seeking to enforce the mortgage;
- the cost of modifying a residence to meet special needs arising from your own or a dependant's disability;
- the cost of medical treatment for your own or a dependant's illness or injury;
- the cost of palliative care for you or a dependant;
- funeral costs for your dependant; or
- you are suffering from a serious illness (see next section 'Serious illness').

The Supervisor must be satisfied that all reasonable alternative sources of funding have been explored and have been exhausted before approving a withdrawal.

If approved the amount withdrawn:

- may be limited by the Supervisor to a specified amount that, in the Supervisor's opinion, is required to alleviate the particular hardship you are suffering; and
- excludes the Kickstart Contribution amount (if you received this) and the Government Contribution amount.

You will remain a Member of the Plan and, if you are an employee Member, you must continue contributing to the Plan unless you have taken a savings suspension.

You will need to provide sufficient evidence to support your withdrawal request and this may be required to be verified (this will include a statutory declaration of your assets and liabilities and may need to include medical evidence). The rules around significant financial hardship withdrawals may change, so you should check with us or the Supervisor before making an application for withdrawal.

Serious illness

You may make a withdrawal if the Supervisor is reasonably satisfied that you are suffering from a serious illness. For this purpose the Supervisor may require that any medical matter is verified by medical evidence. "Serious illness" is defined in the KiwiSaver Scheme Rules (available at www.legislation.govt.nz) to mean an injury, illness or disability:

- that results in you being totally and permanently unable to engage in work for which you are suited by reason of experience, education or training (or any combination of those things); or
- that poses a serious and imminent risk of death.

If approved you may make a withdrawal of your full Plan entitlement, including the Kickstart Contribution amount (if you received this) and Government Contribution amount. When you make a withdrawal of your full Plan entitlement on the basis of your serious illness, you will cease to be a member of the Plan.

Permanent emigration (other than to Australia)

See the PDS for details of your eligibility to make a withdrawal where you emigrate abroad (other than to Australia).

Where you are permitted to withdraw from the Plan following permanent emigration, the Government Contribution amount and any amount that was transferred from an Australian complying superannuation scheme cannot be withdrawn. The Government Contribution amount will be repaid to the IRD.

An application for withdrawal or transfer must include a statutory declaration to the effect that you have permanently emigrated from New Zealand, evidence of your departure from New Zealand and that you have resided at an overseas address at some time during the year following your departure.

We may require any other documents, things, or information produced in such an application to be verified by oath, statutory declaration or otherwise. A stand-down period before you may make a withdrawal may apply.

You can get more information on permanent emigration withdrawals by contacting us or from the KiwiSaver Scheme Rules (available at www.legislation.govt.nz).

Permanent emigration to Australia

If you permanently emigrate to Australia:

- you will not be able to withdraw any retirement savings in cash prior to the End Payment Date; but
- you may be able to transfer all of your KiwiSaver benefit (including the Kickstart Contribution amount (if you received this) and any Government Contribution amount) to an Australian complying superannuation scheme (transfers of partial amounts will not be permitted).

As it is not compulsory for Australian complying superannuation scheme providers to accept KiwiSaver savings, we recommend you confirm with your Australian superannuation scheme provider that they will accept a transfer.

The requirements for proof of permanent emigration to Australia for a transfer application will be the same as for permanent emigration to other countries, except that you will be required to provide a statutory declaration to the effect that you have permanently emigrated to Australia, evidence that you have departed New Zealand and evidence that you have resided at an Australian address at some time following your departure from New Zealand.

We may require any other documents, things, or information produced in such an application to be verified by oath, statutory declaration or otherwise.

Any amount transferred from the Plan to an Australian complying superannuation scheme will not then be able to be transferred to a third country.

You can get more information on transfers following emigration to Australia by contacting us or from the KiwiSaver Scheme Rules (available at www.legislation.govt.nz).

Emigration from Australia

A Member who has permanently emigrated from Australia to New Zealand may choose to transfer his or her Australian superannuation savings to the Plan. Where his or her Australian superannuation savings are transferred to the Plan, the Member:

- will generally be able to start withdrawing his or her Australian sourced savings once he or she has turned 60 and has retired for the purposes of Australian superannuation legislation;
- will not be able to withdraw any Australian sourced savings for the purpose of purchasing a first home; and
- will not be able to withdraw any Australian sourced savings if he or she subsequently permanently emigrates from New Zealand to a country other than Australia.

You can get more on transfers following emigration from Australia by contacting us or from the KiwiSaver Scheme Rules (available at www.legislation.govt.nz).

Tax liability or student loan repayment on foreign superannuation withdrawal

You may be able to make a withdrawal to meet liabilities for tax and student loan repayment obligations which arise on foreign superannuation scheme transfers. You will not be able to withdraw your KickStart Contribution amount (if any) or any Government Contribution amount.

Your application will need to be accompanied by:

- a statutory declaration giving the details of your foreign superannuation withdrawal, your reinvestment in a KiwiSaver scheme, and your resulting liability for tax; and
- any other documents and information in support of the statutory declaration that we require.

If you are withdrawing to meet tax liabilities, the amount withdrawn may not exceed the lesser of your tax liability arising from the transfer and your liability for terminal tax in the tax year to which the tax relates. If you are withdrawing to meet student loan repayment obligations, the amount withdrawn may not exceed those payment obligations. Any withdrawal made will be paid to the IRD, and not to you.

You can get more information on tax or student loan repayment withdrawals by contacting us or from the KiwiSaver Scheme Rules (available at www.legislation.govt.nz).

Transfer to another KiwiSaver scheme

You can only be a member of one KiwiSaver scheme at a time. If you choose to transfer to another KiwiSaver scheme then you must transfer your full Plan entitlement, including the Kickstart Contribution amount (if any) and the Government Contribution amount.

The amount transferred will exclude (if applicable) any un-vested contributions from your employer. The KiwiSaver Act specifies circumstances when a transfer may be required, for example, on wind up of the Plan.

Withdrawals pursuant to law

The Manager must comply with the provisions of any enactment or order of any Court (such as under a property sharing order under the Property (Relationships) Act 1976) that requires a Member to pay some or all of their Plan entitlement (in accordance with that enactment or order).

There may be taxation consequences for you withdrawing all of your Plan entitlement - refer to the "Taxation" section.

UK tax risk

If you have previously transferred funds from a UK pension plan to the Plan ('UK Funds Transfer') you may be liable for UK tax if you later withdraw that UK Funds Transfer as part of a permitted withdrawal under the KiwiSaver Act. We may be required by UK law to report your withdrawal to HM Revenue and Customs in the UK.

Assignment or transfer of your interest in the Plan

You are not permitted to sell, assign or transfer your interest in the Plan to another person, unless required by the relevant regulatory or legislative obligations.

Cessation of membership

You shall cease to be a Member of the Plan on the first to occur of:

- your death;
- you receiving your full benefit from the Plan in accordance with the KiwiSaver Scheme Rules;
- you transferring from the Plan to another KiwiSaver scheme, an Australian complying superannuation fund, or to an overseas superannuation scheme;
- you receiving notice from us that your membership is terminated because the balance of your account has reached zero; and
- us refunding your savings to IRD (where the automatic enrolment or opt-in provisions in the KiwiSaver Act have been mistakenly applied, and membership cannot be validated under the provisions relating to confirmed back-dated validation of membership).

Termination

The Plan will terminate when we notify the Supervisor in writing that the Plan is to be wound up, when the Trust Deed provides, or when otherwise required by any law and the Supervisor resolves that the Plan should be wound-up.

On termination we will direct the Supervisor to 'cash up' all the assets of the Funds as soon as reasonably practicable, meet the Plan's liabilities and expenses and then distribute to Members' entitlements to another KiwiSaver scheme in accordance with the Trust Deed and applicable legislation.

Investment Funds

We may, if the Supervisor agrees, set up separate Funds within the Plan that enable you to have your savings invested according to different risk profiles, or investment allocations. Although the Plan is intended to be treated as one registered KiwiSaver scheme for the purposes of the KiwiSaver Act, the assets of one Fund cannot be used to cover the liabilities of another Fund.

We may close any Fund, terminate any Fund or alter any Fund (provided that we first obtain the consent of the Supervisor, which must not be unreasonably withheld), as and when we determine to do so on terms and conditions determined by us, subject to our providing prior written notice to the Supervisor and complying with any relevant regulatory or legislative obligations.

As at the date of this document, the Funds available for investment are: Milford KiwiSaver Conservative Fund ('Conservative'), Milford KiwiSaver Balanced Fund ('Balanced') and Milford KiwiSaver Active Growth Fund ('Active Growth').

Units

We issue units in your chosen Fund(s) that relate to the amounts received by or transferred into the Plan (less any appropriate amount deducted for fees, tax, etc) based, generally, on the relevant unit price of the day of receipt or transfer, which is struck the following day.

We may treat any units in the Plan as void if those units are issued against uncleared payments and such payments are not subsequently cleared. We normally calculate a single unit price daily and we have the right to take investment costs into account in setting the unit price payable.

Valuation

Returns to you are determined by changes in the value of the underlying assets of each Fund and are reflected in movements in each Fund's unit price.

We have an agreed Unit Pricing & Valuation Policy that sets out Milford's approach to unit pricing and valuing the Plan's investment assets.

Suspension

We may, on giving notice to the Supervisor, suspend the payment of benefits or transfers from the Plan if we consider the payment or transfer:

- is not practicable; or
- would be materially prejudicial to the general interests of members.

Once a suspension notice has been issued, it will cease on the earlier of the following events:

- when we cancel it by notice to relevant members;
- six months after the date of the notice; or
- a suspension is lifted in respect of a fund in which a material amount of the relevant Fund is invested.

Relevant date

For applications, the relevant date for the allocation of units is the date upon which we have received the funds to invest along with all required completed paperwork and documentation.

This must generally be received by 3pm on a business day to obtain the closing unit price for that day (although obtaining the closing unit price of the same day is not guaranteed). The same principle is applied to withdrawals.

Member Accounts

We must establish and maintain a Member Account for you.

A Member Account may be credited with certain amounts specified in the Trust Deed, including:

- any contributions;
- any Government Contributions from IRD;
- any amount transferred into the Plan that we determine is appropriate to credit to the Member Account; and
- any other amount that we determine is appropriate to credit to the Member Account.

A Member Account may be debited with certain amounts specified in the Trust Deed, including;

- any amount that we determine to debit to the Member Account because of a transfer out of the Plan;
- any fees payable to us that are not payable from another source;
- any withdrawal from the Member Account; and
- any other amount that we consider appropriate.

We must also accept contributions or transfers made by you or for you, e.g. from your employer, as set out in the KiwiSaver Act.

Consequences of insolvency

You have no liability to any person should we, the Plan, or a Fund become insolvent. In any event you will not be required to pay more money than the amount you have invested.

If the Plan is wound up, any creditors claims will rank ahead of Members' claims. Members' claims will rank equally with other investors in the relevant Fund(s). You will not receive a withdrawal payment and you will be required to transfer to another KiwiSaver scheme of your choice. Failing such choice you will be transferred to a Default KiwiSaver scheme (as per the rules in the KiwiSaver Act).

No guarantee

No person, including the Government, us, Milford Asset Management or the Supervisor (or any of their respective directors and employees) guarantees the payment of any money to any Member of the Plan (including the repayment of any capital invested or the payment of any earnings or returns on any capital invested in the Plan).

Changes to Funds and SIPO

We can establish Funds within the Plan for Members to invest in, and can set rules regulating conditions for investing in the Funds.

We can by notice to the Supervisor, close, wind up or amalgamate a Fund(s). We can also, by notice to the Supervisor and with the Supervisor's prior consent (which must not be unreasonably withheld), otherwise alter any Fund information about how each Fund's assets are invested, which is included in the Statement of Investment Policy and Objectives ('SIPO').

Details of the Funds available at the date of this document are set out in the PDS and SIPO which can be found at www.milfordasset.com or on the offer and schemes registers at www.companiesoffice.govt.nz/disclose.

We can make changes to the SIPO after giving written notice to the Supervisor.

You will be notified of any material changes to a Fund's SIPO before we make them. Details will be included in the next available Fund Update.

Performance fees

For complete fund fees information, read this section in conjunction with the PDS.

Conservative does not charge a performance fee.

Balanced does not directly charge a performance fee, but it invests in underlying Milford funds that do. Please refer to the PDS for further details.

Active Growth

The performance fee hurdle is 10% per annum, after management and administration charges but before tax and before the performance fee, measured across twelve-month performance payment review periods.

The performance fee for Active Growth is calculated and, if applicable, accrued on a daily basis. Any performance fee accrued is reflected in the daily unit price of the Fund.

This is fair for all unit holders as it means those unit holders who exit the Fund before the date of actual payment of the performance fee to us do not obtain a financial advantage of not having to pay for their share of the performance fee, and conversely those unit holders who join the Fund immediately prior to the payment of the performance fee to us do not suffer a financial disadvantage by having to immediately pay a share of the performance fee when they have only recently joined the Fund.

Performance fees are paid within 10 business days of the end of the relevant period (unless changed by agreement between us and the Supervisor).

The first and third lines of the example below highlight that if the Fund performs below the target return, regardless of the return received, no performance fee is accrued. Any absolute performance losses will carry forward so any future out-performance will need to be recovered first before any performance fee accrual is made. In the second line of the example below, the Fund performed above the target return. That out-performance of benchmark is where the 15% performance fee accrual is generated from.

Active Growth uses an absolute performance hurdle rate of return. Performance accruals can only be made if the Fund is out-performing the performance hurdle (i.e. exceeds the target return) in the period and the unit price is also positive to the previous highest ever net asset value per unit (high water mark) achieved on 31 March.

Please find below an example of the Plan's Active Growth Fund performance fee. It is a simplified example only of how performance fees are calculated. It is not an indication of actual or forecast investment returns, and is for illustrative purposes only.

Investment performance^	Target return	Out performance of benchmark	Investment at beginning of period	Investment performance	Investment at end of period	Out performance	Performance fee earned (15% of out performance)*	Out performance retained by the client	Absolute losses brought forward
5.0%	10.0%	Nil	$10,000	$500	$10,500	Nil	Nil	0	Nil
20.0%	10.0%	10.0%	$10,000	$2,000	$12,000	$1,000	$150	$850	Nil
-10.0%	10.0%	Nil	$10,000	-$1,000	$9,000	Nil	Nil	0	$1,000

^ After management and administration charges but before tax and before the performance fee.

* In this example, the Fund must exceed its performance fee hurdle in order to accrue a performance fee.

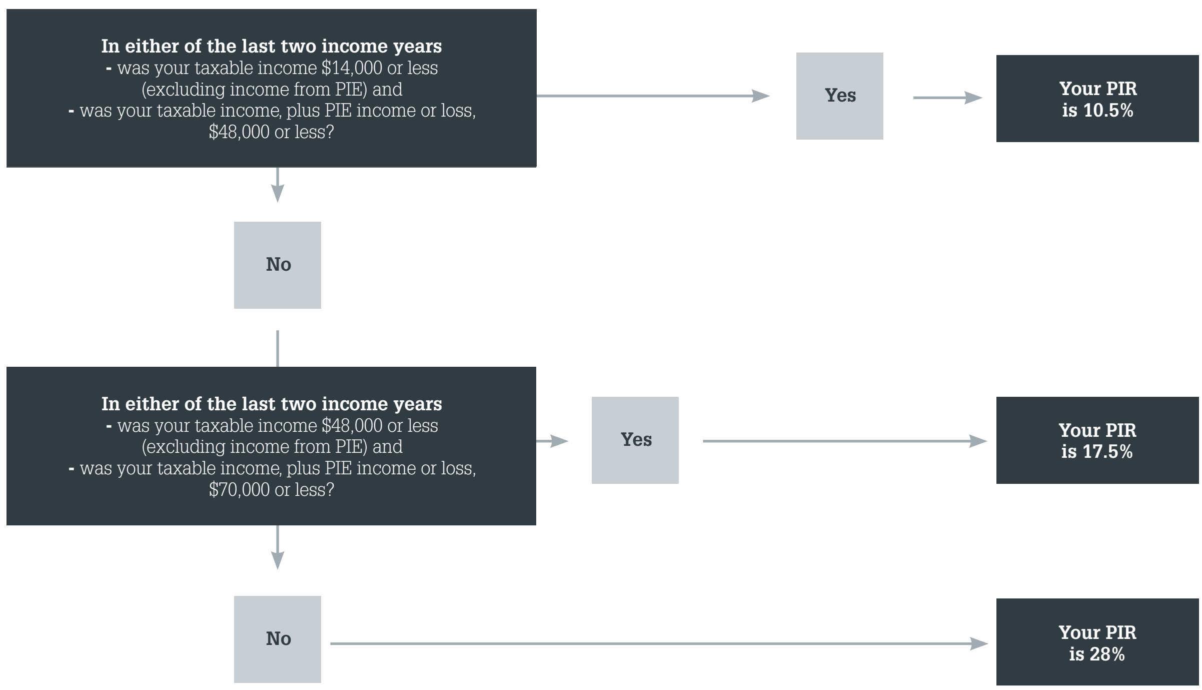
Taxation

Returns to you will be affected by tax laws which may be subject to change. This section briefly summarises relevant taxation laws current at the date of this document. It is intended as a general guide only and, as Members have different personal situations, their tax obligations will differ– you are therefore encouraged to seek your own tax advice before investing. Further details in relation to the taxation of KiwiSaver and Portfolio Investment Entities ('PIEs') can be obtained from the IRD website at www.ird.govt.nz.

The Plan is a PIE and a multi-rate PIE as defined in the Income Tax Act 2007. The tax regime applicable to a PIE provides that all taxable income, losses and tax credits related to the Plan's investments must be allocated to you in proportion to your daily unit holdings in the Plan, with tax payable at your Prescribed Investor Rate ('PIR').

Under the PIE tax legislation, the Plan will calculate and pay tax on the net income it allocates to Members using a PIR of 10.5%, 17.5% or 28%. Use the flowchart below to determine your appropriate PIR.

To qualify for a 10.5% or 17.5% PIR, you must be a New Zealand resident for tax purposes, must supply a valid IRD number to us and determine your PIR for the current year based on your income for the previous two income years (income years generally commence on 1 April in any year and end on 31 March in the following year).



Individual Members who do not qualify for a 10.5% or 17.5% PIR (including non-residents) will have a PIR of 28%.

If for the two previous income years you qualify for two rates, your PIR will be the lower rate.

You must provide your IRD number, your applicable PIR and other details to us on your application. If you do not provide these details, your investment in the Funds will be subject to tax at the 28% PIR. Each year we will request you to confirm your PIR.

The tax payable by the Plan on the net income allocated to you for any given period will depend on the net income allocated to you for that period and your PIR.

If there are excess tax credits for a period, or the Plan has a loss rather than net income for a period, the Plan should receive a tax refund and will be able to issue additional units to Members on account of that refund.

If you make a full withdrawal or transfer from the Plan, any tax liability on the Plan's net income attributable to your investment will be deducted from the balance withdrawn or transferred. A partial withdrawal will be deemed to be a full withdrawal if the units left are insufficient in value to cover the accrued tax liability, and an amount will be deducted (by cancelling some of your units) on account of the accrued tax liability. We will deduct the tax on the net income attributed to the remaining Members during April each year, also by cancelling units.

A switch between Funds is regarded as a withdrawal from one Fund and an acquisition of a new investment in another Fund. Where you provide an investment direction to us or the Supervisor to switch all of your investment in a Fund, we will calculate any tax at the time of the switch and will deduct any tax payable from, or add any refund to, the amount that is switched between Funds.

If you have provided us with the correct PIR, the tax paid on income allocated to you by the Plan will be a final tax. You will not need to include the income allocated to you in a tax return. There will also be no impact on family assistance eligibility, student loan repayment obligations or child support payment obligations. You must notify us if your PIR changes or if you cease to be a New Zealand resident. If you don't, you will be personally liable to pay any resulting tax shortfall and will generally be required to file a tax return.

If you have provided us with a PIR that is higher than your correct PIR, the IRD will not refund you the excess tax paid.

The IRD can instruct us to apply a different PIR to the one notified by you. For more information on PIRs please refer to the IRD website at www.ird.govt.nz.

Generally, gains or losses made by the Plan on the sale of equities in New Zealand resident companies or Australian resident listed companies (on an Australian Securities Exchange approved index) will not be taxable or deductible. The Plan will pay tax on any dividends received from those equities.

Foreign equities (other than equities in Australian resident companies as noted above) will generally be taxed under the Fair Dividend Rate ('FDR') method - the Plan will be taxed on 5% of the market value of such global equities calculated on a daily basis. Any gains or losses and dividends or distributions from foreign equities taxed under the FDR method are not separately taxable.

Foreign equities offering guaranteed or fixed rate returns will be taxed under the comparative value method (i.e. annual change in market value plus distributions).

Taxation legislation and rates of tax change. You should always seek independent professional tax advice on your own personal circumstances.

PIE Tax Rules

The PIE tax rules in the Income Tax Act determine the tax treatment of all income and expenses of the Plan. Generally, assets are taxed as described below. Milford's KiwiSaver Plan Funds may be invested in some or all of these assets:

Asset	Tax payable on capital gains/ losses	Tax payable on dividends and interest	Tax payable on deemed 5% return, per 'Fair Dividend Rate' method
New Zealand equities	No	Yes	No
Australian equities	No	Yes	No
Global equities	No	No	Yes
Cash and cash equivalents, fixed interest, currency hedges* and other financial instruments	Yes	Yes	No

* In some circumstances currency hedges will be taxed on a deemed 5% return.

Liabilities incurred by Members

Other than in respect of:

- the payment of contributions in accordance with the Trust Deed and the relevant regulatory and legislative obligations;
- any tax liability that you incur personally as a result of advising the wrong PIR, an invalid IRD number, or failing to advise us when your PIR changes; and
- any tax liability attributed to you over and above the amount in your Member Account

you will not, by reason solely of being a Member or by reason of the relationship created with the Supervisor or us, incur any liabilities (including contingent liabilities) in relation to the Plan.

Goods and Services Tax

All fees, including the per annum capped management fee paid to us and any performance fees are stated on a GST inclusive basis. Please note that any change in tax legislation and/or policy may mean that the way in which GST is applied to any of the fees referred to in this document may need to change, meaning the fee may need to change.

MILFORD

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