Christian KiwiSaver Scheme

Other Material Information

21 December 2021

Issued by The New Zealand Anglican Church Pension Board
This document replaces the version dated 1 September 2021

Ethical at heart

Christian KiwiSaver Scheme

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1. General

This Other Material Information document sets out important information about your investment in the **Christian KiwiSaver Scheme** (***Scheme***) and should be read together with the Product Disclosure Statement (***PDS***), the Statement of Investment Policy and Objectives (***SIPO***) and any other documents in relation to the Scheme held at *www.christiankiwisaver.nz/documents* and on the register at *www.disclose-register.companiesoffice.govt.nz* (***Disclose***).

In this document:

- ***Trustee***, ***our***, ***we*** or ***us*** means The New Zealand Anglican Church Pension Board, which trades as Anglican Financial Care
- ***Board*** means the Board of The New Zealand Anglican Church Pension Board
- ***you*** or ***your*** means members or prospective members of the Scheme
- ***current*** or ***currently***, in relation to legislation, policy, activity, practice or any other matter refers to that legislation, policy, activity, practice or matter as at the date of this document.

We have prepared this document to meet the requirements of section 57(1)(b)(ii) of the Financial Markets Conduct Act 2013 (***FMCA***) and clauses 52 and 53(1)(l) of Schedule 4 of the Financial Markets Conduct Regulations 2014.

Capitalised terms used in this document have the same meaning as in the Scheme's trust deed dated 13 March 2018 (***Trust Deed***) unless otherwise defined in this document.

2. The Scheme

The Scheme was established on 29 June 2007 and began accepting members on 12 July 2007. It is registered under the FMCA as a restricted KiwiSaver scheme. Its principal purpose is to provide retirement benefits to members. The Scheme was formerly known as the Koinonia KiwiSaver Scheme.

The Scheme is governed by its Trust Deed (a copy of which is held on Disclose and on the Scheme's website *www.christiankiwisaver.nz/documents*) and its assets must be invested in accordance with its SIPO.

The Scheme is a restricted KiwiSaver scheme and membership is offered only to:

- employees of organisations whose primary activities are in our opinion Christian mission or ministry (including employees of charitable entities associated with or operating in the Christian church, or employees of entities which we approve as having a Christian special character); and
- persons who express a Christian faith and have a commitment to Christian community involvement when applying (and their immediate family members and dependants).

3. Information about those involved with the Scheme

Trustee

The trustee of the Scheme is The New Zealand Anglican Church Pension Board, which trades as Anglican Financial Care.

We are also the manager of the Scheme and, as the Scheme is a restricted KiwiSaver scheme, there is no requirement for the Scheme to have a supervisor or external custodian.

The Board is constituted by Title B Canon XIV of the Anglican Church in Aotearoa, New Zealand and Polynesia and was incorporated in New Zealand under the Charitable Trusts Act 1957 on 24 November 1972.

Board Members

The current members of our Board are:

The Very Reverend Lawrence Kimberley BCom, ACA, BTheol (Chair)
Lawrence is the Dean of Christchurch Cathedral. He was appointed by representatives of the Dioceses in New Zealand and has been on the Board since 2000.

The Reverend Vicki Sykes BA, Dip.Tchg, LTh, Grad.Dipl. NFP Management, MSocP (Hons) (Deputy Chair)
Vicki is self-employed and works as a consultant, supervisor, coach, and director on several boards. She was previously Chief Executive of Friendship House, an ecumenical community and social services agency in Manukau, from 1998 to 2015. She has also worked in education and Anglican Parish ministry. Vicki was elected on to the Board by the ordained ministers of the General Synod/te Hīnota Whānui in 2016.

The Reverend Canon Isaac Beach BA, MBA
Ngāti Porou, Ngāti Kahungunu & Ngāti Rangitihi
Isaac was recently ordained to the Diaconate and has a professional background in entrepreneurship. He has experience with investment and capital fundraising to support research, development and growth across NZ start-up ecosystems. Isaac is a lateral thinker, and cares about God's creation and the sustainable stewardship of Church resources within Aotearoa, New Zealand and Polynesia. He serves in Te Pīhopatanga o te Tairāwhiti and was appointed to the Board by representatives of Te Pīhopatanga o Aotearoa in 2020.

Kerry Burridge BCA, Dip. Banking, MPhil (Hons)
Kerry is an experienced director, senior executive and international consultant who specialises in banking and finance and economic development. She is an independent specialist director on the board of the Bank of Cook Islands, a role she has held since October 2013. She has worked extensively with international aid donors throughout the Pacific Island nations. Kerry was appointed to the Board by the Standing Committee of General Synod/te Hīnota Whānui in 2018.

Andrew Johnson – BSc (Math), CFA
Andrew has extensive investment and superannuation industry experience dating back to the early 1980s. In addition to his involvement with Anglican Financial Care, he is currently the licensed independent trustee for two restricted workplace savings schemes, acts as the independent member of the investment committee for a community trust and an institutional fund manager, and provides advisory services to a retail managed investment scheme issuer. Andrew was appointed to the Board by the Standing Committee of General Synod/Te Hīnota Whānui as the Board's Licensed Independent Trustee on 26 July 2021.

Tom Ricketts
Tom has worked in the banking industry for the majority of his professional life. He is currently a trustee of the Diocese of Polynesia, Chairman of HFC Bank and a director of a number of companies in Fiji. He has previously served as the Chairman of Telecommunications Fiji Limited and Deputy Chairman of the Fiji National Provident Fund. Tom was appointed to the Board by the Diocese of Polynesia in 2015.

Hugh Stevens BSc, BE (Hons), MBA
Hugh has worked in the financial services industry for over 15 years, both in New Zealand and overseas. He is CEO of Smartshares Limited. Hugh was appointed by the Standing Committee of the General Synod/te Hīnota Whānui and joined the Board in 2015.

David Wallace MBA, BMus
David is Chief Sales Officer for the New Zealand division of a global financial firm. He was appointed to the Board by the Standing Committee of the General Synod/te Hīnota Whānui and has been a Board member since 2012.

The members of our Board, and their contact address, may change from time to time. A list of Board members, and their contact address, is available online at *www.christiankiwisaver.nz/about-us/* and *www.christiankiwisaver.nz/contact-us/* .

Investment Committee

The Scheme's investments are currently overseen by an Investment Committee which is appointed by, and is an instrument of, the Board.

The Investment Committee oversees compliance with investment policies set by the Board. Investment decisions must be made within the scope of delegated authority from the Board.

The current members of the Investment Committee, who can be contacted at our address, are Board member Andrew Johnson and the following non-Board appointees:

Brendan O'Donovan M Com (Hons) (Chair)
Brendan is a professional director with over 30 years' experience in the financial services industry. He has been a trustee for a number of superannuation funds and was a member of our Board from 2017 to 2021. Brendan joined the Investment Committee in 2017 and is currently the Chair of the Investment Committee.

Don Baskerville BSc, AIA
Don is a business consultant with over 30 years' experience in the superannuation industry, an associate actuary and a member of the Institute of Directors. Don has been on the Investment Committee since 2009, previously serving between 1990 and 1994.

Rosemary Hambling - BA (Hons), DipBS (Financial Planning)
Rosemary has extensive experience in investment markets having worked for major Australasian financial institutions for over 30 years, specialising in discretionary portfolio management and investment governance. She works currently in retail product governance. Rosemary set up Women in Super in 2002 to improve financial literacy on retirement saving for women and was a government appointee to the Government Superannuation Appeals Board. She is a member of INFINZ. She joined the Investment Committee in June 2021.

Wayne Head
Wayne has over 30 years' experience in the financial services industry, including 24 years in estate and asset planning with leading New Zealand trust companies. More latterly he has been a financial adviser for a Wellington based financial advisory firm. Wayne is a trustee of the St Peters (Wellington) Endowment Trust Board. He was appointed to the Investment Committee in March 2021.

Kevyn Rendell BA Hons, DipBS
Kevyn is a principal of Gould Steele & Co, a licensed stock broker of over 35 years' standing and a member of The Institute of Financial Professionals. Kevyn has been on the Investment Committee since 2009.

Ross Tanner MA (Hons) (Canterbury), MPA (Harvard), CFInstD
Ross is a professional director and management consultant. In recent years he has chaired or served on the boards of Crown entities and companies, as well as private sector companies and charitable trust boards. During his 30 year career in the public service, which culminated in his appointment as Deputy State Services Commissioner, Ross was a Principal in the New Zealand Debt Management Office of The Treasury, working in the US and Euro-financial markets in New York and London. He was appointed to the Investment Committee in December 2019.

Suzanne Wolton – LLB (Hons), ACA, MinstD, Dip.Clin.Hyp
Suzanne has over 30 years' experience in large commercial enterprises as a board member and senior executive. Suzanne also has broad experience in the not-for-profit and charitable sectors. Suzanne was appointed to the Investment Committee in November 2021.

Auditor

EY is the Scheme's current auditor.

Solicitor

Chapman Tripp is the Scheme's current solicitor.

4. Additional information about the Scheme

Investment

We intend that the Scheme will be generally administered in a manner consistent with what we consider to reflect Christian values, recognising the importance of ethical considerations to investment decisions and dealings with stakeholders and third parties. You should note though that:

- to provide broader investment spread across and within asset sectors, the Scheme may invest in index funds and funds which are not subject to ethical review; and
- ethical investment can come at a cost, particularly from higher expenses (due to the increased time required for company research and stock selection).

The Scheme has three investment funds – Growth Fund, Balanced Fund and Income Fund. You can choose to invest your money in one or any mix of these Funds (subject to the restrictions noted in the PDS).

Despite the establishment of separate investment funds within the Scheme, the Scheme's assets comprise one single trust fund.

Investment returns

We currently calculate an earnings rate for each Fund on a quarterly basis. These returns can be positive, negative or zero.

We calculate each Fund's returns using a methodology determined by us from time to time which takes into account (without limitation):

- the earnings of the Fund;
- taxation liabilities and provisions; and
- such other matters as we may consider relevant.

After the end of each quarter we determine the earnings rate for each Fund with respect to that quarter taking into account the matters listed above.
If we declare a negative earnings rate for any Fund in which you have invested, we will reduce your account balance. Currently we allocate investment earnings to your account quarterly.

Our current methodology for determining the earnings rate to be allocated (expressed as a percentage) is:

Earnings rate = A ÷ B

Where

A = Investment income and non-investment income of the Fund
LESS investment earnings allocated on withdrawals since the previous allocation
PLUS amount remaining in reserve after previous allocation

and

B = The daily average aggregate balance of members' holdings in the Fund across the period of the members in the Fund at the date an earnings rate is determined.

Earnings rates are determined for taxable investment earnings and for tax-exempt investment earnings.

Fund charges

The current fees for the Funds, which will be deducted from your account for the quarter, are:

- Growth Fund 1.50% per annum of the net asset value of the Growth Fund.
- Balanced Fund 1.35% per annum of the net asset value of the Balanced Fund
- Income Fund 0.80% per annum of the net asset value of the Income Fund.

The above fees will not be deducted from your account for the quarter if you have **not** attained age 18 on the first day of that quarter (i.e. on 1 January, 1 April, 1 July or 1 October, as applicable).

In addition, we may agree different fees with individual members or member groups.

The above fees are calculated on the daily average balance of the member's holding in the Fund across the period. These fees include all costs and expenses for trusteeship, administration and investment management of the Scheme. The Trustee may from time to time change the amounts and types of fees payable.

Tax on taxable income

Once the investment returns and fund charges have been determined, we will also calculate and reflect as a charge to your account tax against relevant taxable income based on your advised prescribed investor rate (***PIR***). Refer to Item 7 below for additional information about tax relevant to this Scheme.

Interim returns

When you become eligible **and** elect to receive a benefit, for each Fund you have chosen we will apply an interim earnings rate (currently calculated in the manner set out below) in respect of the benefit payable, for the period between:

- the last date on which an earnings rate for that Fund was allocated to your account; and
- the date on which your benefit is paid to you.

The interim earnings rate is currently based on the average return of the previous 20 quarters for the relevant Fund unless, as determined by the Trustee, exceptional market circumstances make that approach inequitable.

We currently also apply an interim earnings rate if you switch all of your balance from one Fund to another. If, however, you choose to switch only some of your money from one Fund to another Fund then, after we have next determined quarterly earnings rates, the investment earnings attributed to you will take account of the balance you held in each respective Fund for the relevant period in the quarter.

Where interim earnings are applied to your account, fund charges and PIE tax will also be applied.

Government contributions

Currently, when you join the Scheme and while you:

- contribute to the Scheme; and
- live mainly in New Zealand; and
- are aged between 18 and qualifying age (see the PDS),

you will be eligible for annual Government contributions (formerly called member tax credits) matching your own personal contributions to the Scheme at the rate of 50 cents per dollar up to a maximum Government contribution of $521.43 a year . A 'year' for this purpose is 1 July to 30 June.

Those Government contribution entitlements will reduce in proportion to the part of any year during which you were not a KiwiSaver member, had yet to reach age 18 or were contributing while you did not live mainly in New Zealand.

Government contributions are calculated annually based on the total contributions you personally have made during the last year (1 July to 30 June) and the number of days during that year that you were eligible to receive Government contributions.

We will claim your Government contribution entitlements annually on your behalf, usually at the beginning of each July. When you fully withdraw from the Scheme (unless for permanent emigration other than to Australia, or to transfer to another KiwiSaver scheme), we will claim for your benefit the Government contributions for the period since the commencement of the relevant year.

When we receive each Government contribution payment, we will apply it to your account (or add it to your benefit where you are withdrawing all of your money from the Scheme).

In some circumstances, after you have withdrawn from the Scheme Inland Revenue may pay your Government contributions direct to you.

Amending the Trust Deed and SIPO

Subject to the restrictions in the FMCA and any other applicable legislation, we can amend all or any of the provisions of the Trust Deed at any time.

We can amend the SIPO for the Scheme, including benchmark asset allocations and ranges, at any time.

We will notify you of any material changes to the Trust Deed or the SIPO in the next Annual Report for the Fund, or as otherwise required by law.

Winding up the Scheme

We can decide to wind up the Scheme at any time.

The Financial Markets Authority may also require the Scheme to be wound up in certain circumstances set out in the FMCA.

If the Scheme is wound up, your claim on its assets will rank behind outstanding fees and expenses, taxation liabilities, any other claims preferred at law and the Scheme wind-up costs. This means that after a wind-up you may not recover the full amount paid to the Scheme by you or for your benefit.

Indemnities

Unless we fail to meet the standard of conduct and care required by the FMCA, we are indemnified from the assets of the Scheme for and in respect of any debt, liability or obligation incurred by or on behalf of the Scheme or a Fund, or any action taken or omitted in connection with the Scheme or a Fund, out of the assets of the Scheme to the full extent of that liability and the costs of any litigation or other proceedings in which that liability has been determined.

5. Additional information about withdrawals

As KiwiSaver is designed to help you save for retirement, you are generally not able to withdraw your money until you reach the eligibility age for NZ Super (currently 65). There are also a limited number of circumstances where you may be eligible for an earlier withdrawal from your KiwiSaver account. The KiwiSaver Scheme Rules set out the only types of withdrawals that are generally allowed and the eligibility criteria for each type of withdrawal. The Government may change these Rules and criteria from time to time. Currently the types of withdrawals available are:

- on or after reaching your qualifying age
- buying your first home
- significant financial hardship
- serious illness
- life-shortening congenital condition
- permanent emigration (other than to Australia)
- permanent emigration to Australia (transfer to an Australian scheme)
- retirement withdrawal of Australian savings at or after age 60
- death
- where a Court orders the payment of all or part of your savings.

You will need to complete the applicable withdrawal form and these are available on our website *www.christiankiwisaver.nz/documents/*.

You cannot sell, assign or transfer your interest in the Scheme to another person unless required by the KiwiSaver Act 2006 or another law.

Qualifying age

On or after reaching qualifying age, you are entitled as of right to withdraw the full balance in your KiwiSaver account. Qualifying age is generally when you reach NZ Super age (currently 65). However, if you joined KiwiSaver before 1 July 2019 (or have transferred from a complying superannuation fund that you joined before that date) you must also have been a KiwiSaver and/or complying fund member for at least 5 years.

If your qualifying age is later than NZ Super age, you can still choose to access your money (as described below) at any time after reaching NZ Super age, without the 5 year lock-in. However, if you do so, then from NZ Super age (or the date of that choice if later) you will no longer be eligible for compulsory employer or Government contributions.

If when you reach qualifying age you are a member of this Scheme you will have the following options:

1. **Keep your Scheme account open**
   You can arrange regular fortnightly or monthly withdrawal amounts or make occasional one-off withdrawals. A $200 minimum applies to each regular withdrawal and a $1,000 minimum applies to a one-off withdrawal. We can change the minimum withdrawal amounts at any time.
2. **Make further contributions**
   If you keep your account open, then you also have the option to make further contributions to your account. Please note that from qualifying age you will no longer be eligible for compulsory employer or Government contributions.
3. **Close your Scheme account**
   You can choose to withdraw all of your money. You will cease to be a member (but you will not be prohibited from re-joining KiwiSaver).

First home purchase

You may be eligible to withdraw some of your money to help purchase or build your first home if:

- you are buying the home or land in New Zealand; and
- three or more years have passed since Inland Revenue received your first KiwiSaver contribution or since you first joined a KiwiSaver scheme or complying superannuation fund; and
- you have never made a home purchase withdrawal; and
- you intend the property to be your main place of residence; and
- you have never owned a home or land before, either alone or jointly (limited exceptions apply).

If you have owned a home or land before and therefore you do not qualify to make a first home purchase withdrawal, you may still be eligible to make a withdrawal to purchase a home or land if:

- you meet the first four of the above criteria; and
- you give us written confirmation from Kāinga Ora (formerly Housing New Zealand) that it is satisfied your financial position (as to assets and liabilities) is what would be expected of a person who has never owned a home.

For more information or the necessary form, telephone 0508 935 266 or visit *www.kaingaora.govt.nz/home-ownership/kiwisaver-first-home-withdrawal/*.

Following any first home purchase withdrawal, you must leave at least $1,000 in your KiwiSaver account plus any Australian Sourced Amount (see page 11).

If you make an application for a first home purchase withdrawal we will require the necessary documents and evidence to support your application (including a copy of a sale and purchase agreement listing you as purchaser) by at least 10 business days before either the settlement date or (if relevant – see below) the date when the deposit payment is due.

If your sale and purchase agreement is conditional then you can choose whether the amount withdrawn will be applied towards paying a deposit or applied at settlement. If the agreement is unconditional, the amount withdrawn can only be applied at settlement. If you make a withdrawal to pay a deposit, and not all funds are needed for the deposit, your solicitor or conveyancing practitioner must hold any residual funds for payment at settlement.

You can only make one withdrawal towards your home or land purchase, so if you wish to use your funds for both deposit and settlement you must apply before the deposit payment is due.

If we approve the withdrawal then we will pay the withdrawal amount directly to your solicitor or conveyancing practitioner. If the withdrawal is to be paid towards your deposit, he or she must pay the deposit amount to a stakeholder (such as the vendor's solicitor or real estate agent) to pay it under the sale and purchase agreement once the agreement goes unconditional.

If you use any amount withdrawn to help pay your deposit, and (for reasons other than any default on your part as purchaser) settlement does not proceed, the stakeholder must repay the money to your solicitor or conveyancing practitioner, who must then return the money to the Scheme. If you made the withdrawal for the purposes of settlement and settlement does not proceed, your solicitor or conveyancing practitioner (who will have held your funds in trust) must repay the money to the Scheme.

First Home Grant

Under current Government policy, if you qualify for a home purchase withdrawal and meet other qualifying criteria then you may also qualify for a tax-free First Home Grant of a set amount per year of contributions. Currently, the First Home Grant levels are as follows:

- If you buy an existing home, you can get $1,000 for each of the 3 (or more) years you have contributed to KiwiSaver. The most you can get is $5,000 after 5 or more years' contributions.
- If you buy a new home or land to build on, you can get $2,000 for each of the 3 (or more) years you have contributed to KiwiSaver. The most you can get is $10,000 after 5 or more years' contributions.

To check the required contribution levels, other qualifying criteria and the grant amounts applying from time to time, go to www.kaingaora.govt.nz/home-ownership/first-home-grant/. Kāinga Ora – Homes and Communities administers the First Home Grant and we have no responsibility in relation to the grant facility.

Significant financial hardship

If we are reasonably satisfied that you are suffering or are likely to suffer from significant financial hardship and have explored and exhausted reasonable alternative sources of funding, you can make a withdrawal (excluding the Government contributions and any $1,000 'kick-start' contribution you may have received when first joining KiwiSaver).

Significant financial hardship includes significant financial difficulties arising because of:

- your inability to meet minimum living expenses;
- your inability to meet mortgage repayments on your main family home, resulting in the mortgagee seeking to enforce the mortgage;
- the cost of modifying a home 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; or
- funeral costs for a dependant.

You will need to give us a statutory declaration as to your assets and liabilities, and we can limit the withdrawal to an amount we think necessary to alleviate your hardship.

Serious Illness

You can withdraw all of your money if we are reasonably satisfied you are suffering from a *serious illness*, which means an injury, illness or disability that:

- results in your 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
- poses a serious and imminent risk of death.

We will need evidence to support your request. If you withdraw all of your money your Scheme account will be closed.

Life-shortening congenital condition

You can withdraw some or all of your KiwiSaver money before qualifying age if we are reasonably satisfied that you have a *life-shortening congenital condition* as defined for KiwiSaver purposes. In summary terms, you must have a condition that is congenital (i.e. has existed since you were born) and is either:

- identified by regulation as a life-shortening congenital condition; or

- one for which you have medical evidence to verify that it is expected to reduce life expectancy to below age 65 (either for you or generally for persons with the condition).

If you make a withdrawal from your KiwiSaver money on this basis, you will be treated for KiwiSaver purposes as having reached qualifying age, which means you will be eligible to make further withdrawals but you will no longer be eligible for Government contributions or compulsory employer contributions.

Permanent emigration to Australia

If you permanently emigrate to Australia you can choose to transfer all of your money (including Government contributions) to an Australian complying superannuation scheme which accepts such transfers, as long as your balance is below any maximum transfer amount required by Australian law. Alternatively you can leave your money in the Scheme.

Permanent emigration to another country

One year after you have permanently emigrated to anywhere other than Australia you can apply to withdraw your money, excluding your Government contributions amount and any Australian Sourced Amount (see below), from the Scheme. We must repay your Government contributions amount to the Government and any Australian Sourced Amount must remain in KiwiSaver until you are able to withdraw it on another basis.

Australian Sourced Amount

If you have permanently emigrated from Australia to New Zealand you may choose to transfer your Australian superannuation savings (*Australian Sourced Amount*) to the Scheme from an Australian complying superannuation scheme. Where these Australian superannuation savings are transferred to the Scheme, you:

- will generally be able to start withdrawing your Australian Sourced Amount once you have turned 60 and have '*retired*' for the purposes of Australian superannuation legislation;
- will not be able to withdraw any Australian Sourced Amount for the purpose of purchasing a first home; and
- will not be able to withdraw any Australian Sourced Amount if you subsequently permanently emigrate from New Zealand to a country other than Australia.

You can contact us for more information about this.

Transfer to another KiwiSaver scheme

You can transfer from the Scheme to another KiwiSaver scheme at any time, if you are accepted as a member of that other scheme. The transferred amount will be your total money in the Scheme. You will stop being a member of our Scheme as you can only be in one KiwiSaver scheme at a time.

Following transfer from an overseas superannuation scheme

You may be able to make a withdrawal to meet any New Zealand tax liability or additional student loan repayment obligation arising by reason of you transferring funds to KiwiSaver from an overseas (non-Australian) superannuation scheme. You must apply within two years after Inland Revenue assesses that tax liability or additional repayment obligation.

If the withdrawal is approved, the amount withdrawn (which is paid directly to Inland Revenue) cannot exceed, as applicable:

- the lesser of the tax liability incurred and your total tax liability for the relevant tax year; and
- the amount of the additional student loan repayment obligation.

The withdrawal might trigger an overseas tax liability.

Death

If you die, we will pay your money to the executors or administrators of your estate. If your balance is less than a set amount (currently $15,000) and other conditions are met, we may pay your money direct to a person such as a surviving partner or caregiver.

Other withdrawals

We must comply with any law or Court order requiring us to release some or all of your money from the Scheme (for example when a relationship ends).

6. Additional information about risks

No investment is free from risk. The return on an investment carries a corresponding potential level of risk that you may lose some or all of the investment, receive negative returns or not receive a particular rate of return. Investments in the Scheme are not guaranteed.

There are risks associated with investing in the Scheme as the value of your investment in the Scheme is linked to market performance. The returns on your investment will fluctuate from time to time according to market conditions (these fluctuations are sometimes called 'volatility') and in some years those returns may be less than you expect or may be negative for a period of time.

Generally, investments in income assets (such as cash and cash equivalents, and fixed interest) tend to be less volatile than investments in growth assets (in the Scheme's case equities, private equity investments (see below) and holdings in forest land). Although the Income Fund (invested only in income assets) is expected to carry less risk than the Balanced Fund and the Growth Fund (each with a mix of income and growth assets) the value of your investment in any Fund can go up or down.

Because your returns are linked to the amount in your account(s) at the time you receive your benefits, and because these accounts have earnings allocated to them at rates that we determine and are debited with fees (and possibly negative earnings), there is a risk that you will not recover the full amount contributed by you or for your benefit.

When choosing your investment it is important that you:

- set your investment goals;
- know what sort of investor you are and how much risk you are comfortable with;
- know what your investment timeframe is; and
- understand that events affecting your investments cannot always be foreseen.

Investment sector risks

There are risks arising from investments in each asset sector. The main risks associated with each sector are:

- **Cash and cash equivalents:** the main risk with respect to cash investments is inflation risk (this is the risk that inflation will erode value - i.e. that the return on the investment is less than inflation). There is also credit risk - the risk of the institution holding the cash being unable to pay interest or repay the investment;
- **Fixed interest:** the main risk with respect to fixed interest investments is interest rate risk - the value of fixed interest investments is affected by changes in market interest rates (and if these rise then the investment becomes less valuable). Again, there is also credit risk - the risk of the borrower being unable to pay the interest payments or repay the investment;

- **Equities:** the main risk with respect to equity investments is market risk - the value of equities is influenced by a wide range of factors including the performance of the company, market sentiment and the economic performance of the country or sector. Another key risk with international equities is currency risk (we use hedging to manage this risk and currently investments in international equities are partially hedged);
- **Forest land:** the main risk with respect to forest land investments is the market risk arising from the need for long-term land holding while forests are growing (the value of the forest land can be affected by demand, location, the quality of the property, market conditions, opinion and the market for property investment). Liquidity risk also affects this sector, as forest land is a long-term and relatively illiquid asset (which may also affect the processing of withdrawals); and
- **Private equity:** these are investments comprising ownership interests in operating companies that are not publicly listed on a securities exchange. The main risks with respect to private equity investments are manager risk, market risk and specific investment risk. Liquidity risk also affects this sector, as private equity is a long-term and relatively illiquid asset (which may also affect the processing of withdrawals).

The relative significance of these risks will be affected by a Fund's asset allocations from time to time. The current benchmark asset allocations for each of the three Funds are set out in section 3 of the Scheme's PDS *Description of your investment options.*

Other risks

The value of your investment in the Scheme may also be affected by any one or more of the following risks:

- **Regulatory risk** is the risk of future changes to relevant legislation in New Zealand or overseas adversely affecting the operation of the Scheme and the Scheme's investments;
- **Administrative or operational risk** is the risk arising from technological, process or other failures, fraud, litigation, disruption to business by reason of industrial dispute, system failure, natural disaster or other unforeseen events affecting either the Scheme or markets generally;
- **Taxation risk** is the risk that changes in tax legislation or tax rates may adversely impact on returns;
- **Loss of PIE status risk** is the risk of the Scheme failing to meet the on-going eligibility criteria for PIE status and our being unable to remedy this in time. If this happened then this could result in the Scheme being taxed at a higher rate than the individual prescribed investor rate (***PIR***) of members. We monitor the Scheme's on-going compliance with the PIE legislation;
- **Counterparty risk** is the risk of the other party to a contract not fulfilling its obligations under that contract, a dispute arising in relation to the contract or the other party becoming insolvent or otherwise being unable to meet its financial obligations (if this occurs, the full value of the investment may not be recovered); and
- **Service provider risk** is the risk of any of the parties associated with operating the Scheme and investing Scheme assets failing to perform its obligations (this may adversely affect investment returns, access to the services or the payment of withdrawals).

7. Additional information about tax

Tax on contributions

Member contributions to the Scheme are made from after-tax income, so no more tax is payable on those contributions.

Employer contributions to the Scheme currently have employer's superannuation contribution tax deducted from them at the following rates (an 'income year' is 1 April to 31 March):

- 10.5% if the total of your taxable earnings and the before-tax employer superannuation contributions made for your benefit (to any workplace savings scheme and/or KiwiSaver scheme) was $16,800 or less in the previous income year;
- 17.5% if the total of those earnings plus employer contributions was between $16,801 and $57,600 in the previous income year;
- 30% if the total of those earnings plus employer contributions was between $57,601 and $84,000 in the previous income year;
- 33% if the total of those earnings plus employer contributions was between $84,001 and $216,000 in the previous income year; and
- 39% in every other case.

If your current employer did not employ you for all of the previous income year, the above rates will be based on estimates of your expected taxable earnings and employer superannuation contributions for the current income year.

Tax on benefits

Under current legislation, when you make a withdrawal from the Scheme in New Zealand the amount withdrawn will not be subject to any further New Zealand taxation.

Non-resident members should seek tax advice in their country of residence concerning the tax treatment in that country of payments or transfers from the Scheme.

Tax on investment income

The following is a general statement of current New Zealand investment income tax law as it relates to Scheme members who are New Zealand residents. Tax legislation, its interpretation and the rates and bases of taxation are subject to change. Different tax rules may apply in respect of non-resident members.

We do not accept any responsibility for your taxation liabilities. You should consult your own tax adviser about your taxation position in relation to the Scheme or withdrawals, payments or transfers from the Scheme.

The Scheme is a multi-rate portfolio investment entity (***PIE***). As the Scheme is a multi-rate PIE, we:

- attribute to you a proportionate share of each relevant Fund's taxable income and tax credits;
- calculate tax on your proportionate share of that income based on your PIR – you must give us your PIR, which will be 10.5%, 17.5% or 28% depending on your income (see *Prescribed Investor Rate* below);
- pay this tax (***PIE tax***); and
- adjust either your investment in the relevant Fund, or the amount paid to you, to reflect the PIE tax.

Investments not subject to Foreign Investment Fund (*FIF*) regime
Equities held in New Zealand resident companies, or in most Australian resident companies listed on an approved Australian Securities Exchange index, are broadly taxed under the ordinary New Zealand tax rules, subject to certain exceptions. Dividends received on such equities are usually fully taxable, with a credit allowed for any attached imputation credits (but not for any Australian franking credits). The Scheme is entitled to a tax credit for any withholding tax deducted from such dividends. Tax should not be payable by the Scheme on any gains from the sale of such equities and no tax deduction can be claimed for any losses.

Investments subject to FIF regime
Other international equities held by the Scheme are usually taxed under the fair dividend rate (***FDR***) method of taxation in the FIF regime. Under FDR, such equities give rise to deemed income in an income year (1 April to 31 March) equal to 5% (or a pro rata portion) of the opening market value of the equities at the beginning of each quarter for that income year (or part year).

The Scheme is entitled to a credit for any withholding tax paid on dividends received from such equities, subject to certain limits. Any dividends or profits from sales of the equities are ignored for tax purposes. No tax deduction can be claimed for any losses in respect of the equities under this method.

Tax on income derived by Scheme
Interest earned by the Scheme, foreign exchange gains from non-New Zealand dollar denominated debt instruments and income derived from hedging contracts are all taxable. The Scheme is entitled to a deduction for expenses incurred in earning income and for any foreign exchange and hedging losses.

Prescribed Investor Rate (*PIR*)
For New Zealand resident individuals who give us their IRD number, there are three PIRs available as at the date of this document (a 'tax year' is 1 April to 31 March):

- 10.5% for members who had, in either of the two tax years immediately before the current tax year, taxable income of $14,000 or less (this excludes PIE income) and $48,000 or less in taxable income plus net PIE Income;
- 17.5% for members who had, in either of the two tax years immediately before the current tax year, taxable income of $48,000 or less (this excludes PIE income) and $70,000 or less in taxable income plus net PIE income; and
- 28% for members who do not qualify for either of the lower rates.

When calculating your PIR, taxable income generally includes foreign-sourced income even if you were not resident in New Zealand when that income was earned. New residents can exclude their non-resident foreign-sourced income if they reasonably expect their taxable income to be lower than their total income from the tax year before becoming a New Zealand resident.

For a non-resident or a member who does not provide an IRD number and/or a PIR the applicable PIR is 28%.

You must tell us if your PIR changes or if you cease to be resident in New Zealand.

We calculate the tax liability attributable to members in relation to each Fund for each calculation period (and as at the date of any full withdrawal or switch between Funds) using members' PIRs. The tax liability attributed to you for each Fund will be deducted from your account(s) before the full withdrawal or switch is made.

If you have elected the correct PIR, you need not include the income attributed to you in a tax return (unless you are newly resident and have elected to include your non-resident foreign sourced income – see above). Also, such income will not affect eligibility for family assistance or student loan repayments, or child support obligations.

If you advise a lower PIR than the correct PIR, your investment income will still be taxable at your correct PIR and you will need to pay any tax shortfall directly to Inland Revenue. If the default rate or your advised PIR is higher than the correct PIR, you should be eligible for a refund from Inland Revenue of any overpaid tax.

Fees paid by you for management and administration services are taken into account as deductions for the purposes of calculating the tax payable on your behalf. You cannot claim deductions for any such fees in your own tax returns.

Tax on overseas transferred funds

UK tax treatment may apply in some cases to a withdrawal of funds transferred to the Scheme (directly or indirectly) from a UK pension scheme. Because the Scheme is no longer a Qualifying Recognised Overseas Pension Scheme (***QROPS***) for UK pension transfer purposes, we can no longer accept any transfers to the Scheme from UK pension schemes (and if any UK pension transfer moneys are transferred to the Scheme from another KiwiSaver scheme or New Zealand retirement scheme then the transfer may trigger a UK tax penalty).

The withdrawal of any other funds transferred to the Scheme (directly or indirectly) from any overseas (non-Australian) scheme may also have overseas tax consequences.

For more information in either case, you should consult a tax specialist.

8. Conflicts of interest

We and the Investment Committee maintain conflict of interest policies. Members of the Board and the Investment Committee are required to disclose interests which they believe may have the potential to lead to conflicts of interest or may be relevant to the perception of their conduct as a member of the Board and/or the Investment Committee.

Notwithstanding the interests of the parties which have appointed them, all of the Board's members must act honestly and in the Scheme members' best interests, treat members equitably and not use Scheme information either for improper advantage or to cause detriment to members. The Board must also, in exercising any power or performing any duty, exercise the care, diligence and skill that a prudent person engaged in that profession would exercise in those circumstances. We have a Licensed Independent Trustee as a member of the Board, as required by the FMCA.

Where the Board has entered, or enters, into any transaction providing for a related party benefit (as defined in the FMCA) to be given:

- that transaction must be in the Scheme members' best interests or on arm's length terms (or otherwise comply with the FMCA related party transactions provisions); and
- the Board, with the consent of the Licensed Independent Trustee , must certify accordingly.

If any particular conflicts of interest do arise in relation to the Scheme then the Board's members will identify and record those conflicts and take steps to manage them (as appropriate) on a case by case basis. Those steps might include (for example):

- taking independent legal or other advice; and
- having a Board member who is conflicted due to having a direct personal interest in a matter under consideration withdraw from the discussions and decision-making process.

9. Material contracts

We have not entered into any material contracts (not being contracts entered into in the ordinary course of business) in respect of the Scheme.

10. Market indices

The benchmark portfolio against which we compare the investment return for each Fund (Growth, Balanced and Income) is a composite index comprising the benchmark comprising the benchmark return for each asset class weighted according to the SIPO investment mix for the relevant Fund.

The benchmark return for Other – Alternative Assets and the mortgage component of New Zealand Fixed Interest is their actual return. The benchmark return for all other asset classes is a market index. Some of the benchmark returns have their foreign currency exposure hedged into NZ dollars.

More information about the benchmark indices (including the current benchmark index used for each asset class) is contained in the SIPO, a copy of which is available:

- from *www.christiankiwisaver.nz/documents* or
- on the offers register at *www.disclose-register.companiesoffice.govt.nz* under the Christian KiwiSaver Scheme (select *Search Offers*, enter *OFR10845* and go to *Documents*).

A Product Disclosure Statement is available from the website

0508 738 473
www.christiankiwisaver.nz