

The New Zealand Anglican Church Pension Fund

Other Material Information

30 September 2025



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1. General

This Other Material Information document sets out important information about your investment in the Complying Fund Section (*CF Section*) of **The New Zealand Anglican Church Pension Fund (Fund)** and should be read together with the Product Disclosure Statement (*PDS*), the Statement of Investment Policy and Objectives (*SIPO*) and any other documents held in relation to the Fund at www.angfincare.nz/resources/ 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, in its capacity as trustee of the Fund
- *paying authority* means the body which pays you your stipend
- *you or your* means members or prospective members of the Fund
- *current or currently*, in relation to legislation, a policy, an activity, a practice or any other matter, refers to that legislation, policy, 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 clause 52 of Schedule 4 of the Financial Markets Conduct Regulations 2014.

The document also provides additional material information about the Fund more generally, including in relation to Fund benefits.

Capitalised terms used in this document have the same meaning as in the Fund's Trust Deed and Rules dated 30 June 2022 (*Trust Deed*) unless otherwise defined in this document.

2. The Fund

The Fund was created by an Act of Parliament on 20 October 1972. Its principal purpose is to provide retirement benefits to members.

The Fund is registered under the FMCA as a restricted workplace savings scheme. It is also a complying superannuation fund.

The Fund is governed by its Trust Deed (a copy of which is held on Disclose and on our website www.angfincare.nz/resources/) and its assets must be invested in accordance with its SIPO.

Fund membership is only offered to clergy holding a Bishop's licence or permission to officiate and engaged in stipended, constant and active work with the Anglican Church of Aotearoa, New Zealand and Polynesia (*the Church*).

New Zealand resident clergy who join the Fund become members of the CF Section (to which this OMI relates). Clergy working with the Diocese of Polynesia may be invited to join the Defined Benefit Section of the Fund. A copy of the Product Disclosure Statement for the Defined Benefit Section of the Fund is available from the Diocese of Polynesia office in Suva, Fiji (admin@dioceseofpolynesia.org).

3. Information about those involved with the Fund

Trustee

The trustee of the Fund is The New Zealand Anglican Church Pension Board (NZACPB, which trades as Anglican Financial Care).

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

The Trustee is also the manager of the Fund and as the Fund is a restricted workplace savings scheme there is no requirement for the Fund to have a supervisor or external custodian.

NZACPB members

The current members of the NZACPB are:

The Reverend Lawrence Kimberley BCom, ACA, BTheol (Chair)

Lawrence has over 25 years of leadership and dedicated service. He is currently Kaiwhakahaere/Chief Executive at Te Ture Whānui o Waitaha/Community Law Canterbury and before this he served as the Dean of Christchurch Cathedral from 2015 to 2023. His extensive experience includes roles such as Chair of the Cathedral Grammar School, Member of the Standing Committee of the Diocese of Christchurch, Church Property Trustee, Archdeacon of Pegasus and Member of the St Mark's School Board of Proprietors. Lawrence was appointed by representatives of the Dioceses in New Zealand and has been on the NZACPB since 2000.

The Venerable Carole Hughes Theol. M, B.Th (Hons.) Oxon (Deputy Chair)

Carole has been a member of the Anglican Diocese of Auckland Episcopal Team since August 2011 as full-time Archdeacon of Auckland. She has been Vicar-General since 2019. Before this she was Co-Vicar and then Vicar of St John's, Campbells Bay, on the North Shore of Auckland. She was ordained in 1997 in the Diocese of Waikato and Taranaki, where she offered ministry at the Taranaki Cathedral and St Chads West New Plymouth. Carole is passionate about theological education and contextual understandings of Scripture, Anglican liturgy, and liberation theology. Carole was appointed to the NZACPB by the ordained ministers of the General Synod/Te Hīnota Whānui and has been on the NZACPB since 2023.

David Wallace MBA, BMus

David is Sales Director for the New Zealand division of a global insurance services firm. He was appointed to the NZACPB by the Standing Committee of General Synod/Te Hīnota Whānui and has been on the NZACPB since 2012.

The Reverend Canon Isaac Beach BA, MBA

Ngāti Porou, Ngāti Kahungunu & Ngāti Rangitīhi

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. Isaac was appointed to the NZACPB by representatives of Te Pīhopatanga o Aotearoa and has been on the NZACPB since 2020.

Susanne Wolton

Susanne has over 30 years' experience in large commercial enterprises as a board member and senior executive. Susanne also has broad experience in the not-for-profit and charitable sectors. Susanne joined the Investment Committee in 2021. She was then appointed to the NZACPB by the Standing Committee of General Synod/Te Hīnota Whānui and has been on the NZACPB since 2024.

Manoj Kumar

Manoj Kumar was appointed to the NZACPB by the Diocese of Polynesia in 2024.

Manoj is a graduate of Fiji National University and is Manager System Control at Energy Fiji Limited. He has an extensive background in operational management of the energy grid and has a deep commitment to ethical stewardship. He likes to contribute to meaningful financial oversight and the strategic direction of the NZACPB. His experience in managing complex systems, ensuring accountability and collaborating across the Diocese supports the values of the NZACPB and the Anglican Church. Manoj was appointed to the NZACPB by the Standing Committee of General Synod/Te Hīnota Whānui in May 2024.

Michelle Forster

Michelle is a Professional Director, a Licensed Independent Trustee and a Principal at Heathcote Investment Partners. She has more than 20 years' experience in senior leadership and management roles in wealth management and the financial services industry and has worked in South Africa, the Channel Islands, Australia and New Zealand. Michelle was appointed to the NZACPB by the Standing Committee of General Synod/Te Hīnota Whānui and has been on the NZACPB since 2024.

The NZACPB members may change from time to time. A list of NZACPB members is available at www.angfincare.nz/our-people/, and for more information the Fund's contact address is at www.angfincare.nz/contact/.

Investment Committee

The Fund's investments are currently overseen by an Investment Committee which is appointed by, and reports to, the Trustee.

The Investment Committee oversees compliance with the investment policies set by the Trustee, which are prescribed in the SIPO and in the Trustee's Ethical Investment Policy. Its investment decisions must be made within the scope of its delegated authority from the Trustee.

The current members of the Investment Committee, who can be contacted at Anglican Financial Care's address, are NZACPB members Suzanne Wolton, and the following non-Trustee 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 an NZACPB member from 2017 to 2021. Brendan joined the Investment Committee in 2017 and is currently its Chair.

Don Baskerville BSc, AIA

Don is a business consultant with over 30 years' experience in the superannuation industry, an associate actuary and a Chartered Member of the Institute of Directors. Don was Chair of the NZACPB from 1989 to 2012 and has been a Member of the Anglican Insurance Board since 2004. He has been on the Investment Committee since 2009, previously serving between 1990 and 1994.

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 recently he has been a financial adviser for a Wellington based financial advisory firm. Wayne was appointed to the Investment Committee in 2021.

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 various 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 European financial markets in New York and London. He was appointed to the Investment Committee in 2019.

Actuary

Aon is the Fund's current actuary.

Auditor

EY is the Fund's current auditor.

Solicitor

Chapman Tripp is the Fund's current solicitor.

4. Additional information about the Fund

Investment

We aim to administer the Fund and invest its assets in a manner consistent with what we consider reflects Christian values, recognising the importance of ethical considerations to investment decisions and dealings with stakeholders and third parties.

For more information about our investment philosophy, and the ethical considerations guiding certain of our investment decisions, please see our SIPO and our Ethical Investment Policy, copies of which are held on Disclose and are available at www.angfincare.nz/resources/.

Our Ethical Investment Policy reflects the Christian values that guide our broader investment philosophy, alongside an ethical screening process that is applied to selected investments within our portfolio.

Despite the establishment of separate membership sections within the Fund (i.e. the CF Section and the Defined Benefit Section) the Fund's assets comprise one single trust fund.

Investment returns (Locked-in Accounts)

We currently calculate an earnings rate for the money in members' Locked-In Accounts on a quarterly basis. These earnings rates can be positive, negative or zero.

We apply investment earnings to Locked-In Accounts using a methodology determined by us from time to time which takes into account (without limitation):

- the investment earnings of the Fund;
- other income of the Fund; and
- such other matters as we may consider relevant.

After the end of each quarter we decide the earnings rate with respect to that quarter taking into account the matters listed above.

If we declare a negative earnings rate, we will reduce your Locked-In 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:

$$\text{Earnings Rate} = A \div B$$

Where

A = Investment income and non-investment income of the Fund
and

B = The opening net assets of the Fund for the period.

We also apply an interim earnings rate (for the period since the last determination) when a member withdraws or transfers their Locked-In Account balance from the Fund. The interim earnings rate is currently determined on a monthly basis, being the gross return for the period from the start of the quarter less prescribed fees and an estimate for tax, unless otherwise determined by the Trustee.

Fund charges

We currently deduct from the money in members' Locked-In Accounts on a quarterly basis a share of the costs and expenses incurred by the Fund (Fund Charges).

Our current methodology for determining the amount of Fund Charges to be deducted (expressed as a percentage) is:

$$\text{Fund Charges} = A \div B$$

Where

A = Investment expenses and non-investment expenses
and

B = The opening net assets of the Fund for the period.

Government contributions

Currently, when you join the CF Section and while you:

- contribute to the Fund; and
- live mainly in New Zealand; and
- haven't made a life-shortening congenital condition-based withdrawal (see page 13); and
- are aged below 65; and
- are below the maximum income threshold (see below);

you will be eligible for annual Government contributions to your Locked-In Account which match your own personal contributions to that account at the rate of 25 cents for every dollar you contribute, up to a maximum Government contribution of \$260.72 a year. A 'year' for this purpose is a KiwiSaver year (1 July to 30 June).

The maximum income threshold (above which you will not be eligible for Government contributions) is that your taxable income was \$180,000 or less in, as applicable:

- the income year (1 April to 31 March) that ended during the KiwiSaver year, if:
 - you filed a tax return for that income year before the end of the KiwiSaver year; or
 - you were not required to file a tax return for that income year; or
- in any other case, the income year preceding the KiwiSaver year,

Government contributions are calculated annually based on the total contributions you personally have made to your Locked-In Account during the last KiwiSaver year and the number of days during that year that you were eligible to receive them.

Your Government contribution entitlements will reduce in proportion to the part of any KiwiSaver year during which you were not a KiwiSaver or Fund member or you otherwise did not qualify (because for example you did not live mainly in New Zealand).

We will claim your Government contribution entitlements annually on your behalf, usually at the beginning of each July, though if you also contribute to a KiwiSaver scheme then your Government contributions (which cannot exceed \$260.72 a year in total) will be paid to the scheme that first requests them.

When you fully withdraw from the Fund (other than for permanent emigration or to transfer to a KiwiSaver scheme) we will claim for your benefit the Government contribution for the period since the commencement of the relevant year.

When we receive each Government contribution payment, we will apply it to your Locked-In Account (or add it to your benefit if you are withdrawing all of the money in your Locked-In Account).

You cannot withdraw any of your Government contributions:

- unless you (or if you have died, your personal representative) provide a statutory declaration stating when you have lived mainly in New Zealand; or
- to the extent that we know your claim for that amount is wrong (because the periods during which you have met the residency requirement were wrongly advised).

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 Fund, 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 Fund

We can decide to wind up the Fund if:

- the Church is reconstructed or de-constituted; or
- there are too few members to make it economical to continue the Fund; or
- a majority of the paying authorities cease contributing; or
- in our opinion the Fund becomes financially non-viable.

The Financial Markets Authority (FMA) may also require the Fund to be wound up in certain circumstances set out in the FMCA.

If we wind up the Fund then any claims from the Fund's creditors, or outstanding expenses or overheads, will rank ahead of members' claims.

If the Fund is wound up other than as required under the FMCA we must, as far as possible:

- pay pensions to pensioners, refund the pensionable service-related contributions of members who have yet to retire (with an interest allowance that we determine) and transfer members' Locked-in Account balances to KiwiSaver schemes either chosen by those members or allocated to them under the KiwiSaver Act (these claims will all rank equally among themselves);
- subject to the FMA's prior written consent, pay any remaining 'trust funds' which have been allocated to the Fund for amalgamation or administration in accordance with the New Zealand Anglican Church Pension Fund Act 1972 to the Trustees of the General Church Trust (in accordance with the Anglican Church Trusts Act 1981); and
- distribute any other assets which are not 'trust funds' to members and pensioners as determined by the Fund's actuary.

If we wind up the Fund then you may request a copy of the most recent actuarial report on the Fund. A copy of the Trust Deed is available at www.angfincare.nz/resources/. You will also receive final audited accounts for the Fund (showing its financial position at the effective wind-up date).

Indemnities

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

5. Additional information about withdrawals from Locked-in Accounts

You are generally not able to withdraw the money in your Locked-in Account 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 Locked-in Account. The KiwiSaver Scheme Rules (which apply, with some modifications, to the 'locked-in' account balances in complying superannuation funds such as the Fund) 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 from your Locked-in Account are:

- on or after reaching NZ Super age
- buying your first home
- significant financial hardship
- serious illness
- life-shortening congenital condition
- permanent emigration
- death
- where a Court orders the payment of all or part of your money in the Fund.

Withdrawal forms are available on our website www.angfincare.nz/resources/.

Reaching NZ Super age

When you reach NZ Super age your options are:

- to withdraw some or all of your Locked-In Account balance; or
- to leave your Locked-In Account balance in the Fund for as long as you wish and make withdrawals at any time.

First home purchase

You may be eligible to withdraw some of the money in your Locked-in Account to help purchase or build your first home (or an interest in a dwellinghouse on Māori land) 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 this 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 – see below).

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/.

You will not be treated as having owned property before if you hold (or have held) land:

- as a bare trustee;
- as a leaseholder;
- where it is an interest in Māori land, or
- as a trustee who is a beneficiary under the relevant trust, but with no reasonable expectation of being entitled to occupy the land as your principal place of residence until the death of the occupier (or of their survivor).

Following any first home purchase withdrawal, you must leave at least \$1,000 in your Locked-in Account.

If you make an application for a first home purchase withdrawal from your Locked-in Account 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, your solicitor or conveyancing practitioner 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 your Locked-in Account in the Fund. 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 your Locked-in Account in the Fund.

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 from your Locked-in Account (excluding the Government contributions amount).

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 the amount we think necessary to alleviate your hardship.

Serious illness

If we are reasonably satisfied you are suffering from a serious illness (as defined for KiwiSaver purposes) you may withdraw some or all of your Locked-in Account balance.

A *serious illness* 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.

Life-shortening congenital condition

You can withdraw some or all of the money in your Locked-in Account before your Lock-in Date 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 (the life-shortening congenital conditions currently identified in the KiwiSaver Regulations 2006 are Down syndrome, cerebral palsy, Huntington's disease and fetal alcohol spectrum disorder); 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 Locked-in Account on this basis, you will be treated as having reached NZ Super age, which means you will be eligible to make further withdrawals but you will no longer be eligible for Government contributions or for compulsory employer contributions to a KiwiSaver scheme.

Permanent emigration

One year after you have permanently emigrated to anywhere other than Australia you can apply to withdraw the money in your Locked-In Account (*excluding* the Government contributions amount) from the Fund. We must repay your Government contributions amount to the Government.

Transfer to another scheme

You can transfer your Locked-In Account balance from the Fund to a KiwiSaver scheme at any time, if accepted as a member of that scheme.

Death

On your death your Locked-In Account balance will be paid to your estate. If the balance of your Locked-In Account is less than a set amount (currently \$40,000) and other conditions are met, we may pay your Locked-In Account balance 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 the balance in your Locked-In Account (for example when a relationship ends).

6. Additional information about costs and expenses

Right to charge expenses to the Fund

We recover from the assets of the Fund our costs and expenses in managing the Fund, in acting as Trustee of the Fund, in administering the Fund and in buying, selling and otherwise dealing with investments for the Fund.

Additionally we are entitled to be reimbursed from Fund assets for any expense, cost or liability which we may incur in bringing or defending any action or suit in respect of the Fund.

We pay expenses, costs and liabilities by deducting them from Fund assets.

We apportion certain of the expenses, costs and liabilities that Anglican Financial Care incurs among the Fund, The Retire Fund, the Christian KiwiSaver Scheme and other investment entities based on approximations of their respective total assets.

The expenses and costs incurred by the Fund include a proportion of Anglican Financial Care's operating expenses and costs, Trustee meeting costs including meeting fees, meeting fees payable to Committee members, fees payable for services provided by the Fund's legal adviser, actuary and auditor, expenses such as printing and postage costs and a portion of the annual levy payable by us to the Financial Markets Authority under the Financial Markets Authority (Levies) Regulations 2012.

Changes to costs and expenses

The actual costs and expenses charged to the Fund, which affect the returns on your investment in your Locked-In Account in proportion to your investment in the Fund, will vary and will depend on the actual costs we incur in the operation of the Fund.

There is no limit on the amount of expenses reimbursement to which we are entitled.

These expenses are included in the "fund charges" for the Fund, which are estimated in the PDS and disclosed in the Fund Update.

These expenses are also disclosed on the register entry on the offer register for the Fund on the Disclose website at www.disclose-register.companiesoffice.govt.nz.

7. Basis of estimates for Fund charges in PDS

The annual fund charges estimated in the PDS include estimates for certain fees and expenses, including administration, investment management and other professional services fees and expenses. We determine these items based on our own estimates (including as to the Fund's share of the expenses, costs and liabilities which we will incur in respect of the Fund, The Retire Fund, the Christian KiwiSaver Scheme and the other investment entities which we manage) and estimates we receive from our service providers.

The PDS sets out our resulting annual fund charges estimate.

The estimate, which is shown in the PDS as a percentage of the net asset value of the Fund, assumes the continuation of both our current benchmark asset allocations for the Fund and the current underlying investment arrangements.

The actual annual fund charges will vary each year.

8. Additional information about risks

Some information on investment risks relating to the Fund is set out in section 4 of the PDS. The information below supplements and should be read together with the PDS.

Under the Trust Deed, the benefit payable from the Fund cannot be less than your own contributions to the Fund.

No investment is free from risk. Risk is the possibility of losing some or all of your investment or of not achieving the return you expect. Investments in the Fund are not guaranteed.

There are differences in the risks that may affect your pensionable service-based pension and those that impact your Locked-In Account savings. These are set out under separate headings below.

Pensionable Service Benefit

Your pension is determined by the amount of pensionable service you have accrued and the applicable pension rate (or blend of pension rates) applying to you when you retire, based on:

- your age at retirement; and
- the rates of contributions paid by you and your paying authority from time to time towards funding your pensionable service-based benefits.

The value of your pensionable service-based benefits is not affected by the investment earnings of the Fund. However, there are other factors which may affect your pensionable service-based entitlements from the Fund.

You may not receive your pensionable service-based benefits if:

- you or your paying authority cease contributing for any reason;
- the contributions to, investment income and assets of the Fund (after paying expenses) are insufficient to allow us to meet our pension and other benefit obligations as payments fall due – in this regard though, we have access to endowments and donations if needed and can ask the Church to increase subsidy levels;
- law changes adversely impact on the Fund;
- a change permitted under the Trust Deed or legislation, or a change to the tax treatment of the Fund's income (see 'Additional Information About Tax' on page 18) has the effect of reducing the benefits set out in the Trust Deed; or
- you became bankrupt (in which case benefits could become payable to your creditors).

Locked-In Accounts

The value of your Locked-in Account is not guaranteed and can go up and down, depending on the Fund's investment performance.

The return from your Locked-in Account will be linked to the amount in that account when you receive a benefit, and we will allocate investment earnings to your Locked-In Account at rates which we determine after deducting expenses. The investment earnings 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. If we declare a negative earnings rate then, if you have been a member for a very short time, you may receive a benefit from your Locked-In Account that is less than your own contributions to that account.

Locked-In Accounts – asset class risks

There are risks arising from investments in each asset sector. These risks may affect the value of the money in your Locked-In Account. The main risks associated with each asset 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 indirect 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 the Fund's asset allocations from time to time. The current benchmark asset allocation for the Fund is set out in Section 3 of the Fund's PDS ("*Description of your investment option*").

Other general risks

The value of your investment in the Fund 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 Fund and its investments (including changes to the Emissions Trading Scheme, which might affect the returns from our forestry investment);
- **Ethical investment risks** include the following:
 - investments made in accordance with our Ethical Investment Policy may produce returns that differ from investments made without such ethical considerations, so there is a risk that the Fund may not achieve performance results comparable with or superior to funds that do not take non-financial features into account in their investment methodologies;
 - there is also a risk that the Fund may not deliver the desired non-financial outcomes - for example, we may invest in a directly held equity investment that is inconsistent with our Ethical Investment Policy due to limitations or inaccuracies in the data available to us when applying the ethical screening process set out in the policy;
 - if we make investments that do not comply with our Ethical Investment Policy, these may need to be divested to rectify the non-compliance if it is material (see the SIPO) - this may necessitate selling profitable investments because they are contrary to the policy (though to mitigate this risk we employ professional investment management staff who are accountable for confirming quarterly whether the Fund's investments comply with the SIPO and the Ethical Investment Policy); and
 - applying ethical screening involves additional research and administrative costs, which could reduce the Fund's overall returns.
- **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 Fund or markets generally;
- **Taxation risk** is the risk that changes in tax legislation or tax rates may adversely impact on returns;
- **Loss of charitable status risk** is the risk of the Fund failing to meet the on-going eligibility criteria for charitable status and our being unable to remedy this in time. If this happened then all the Fund's investment income would be taxable;
- **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 Fund and investing Fund assets failing to perform its obligations (this may adversely affect investment returns, access to the services or the payment of withdrawals).

9. Additional information about tax

Different tax rules may apply to your own and your paying authority's contributions, and in relation to the benefit payments to you or your family from the Fund, depending on your country of residence.

Under current tax legislation (which is subject to change):

- your paying authority's contributions are subject to contribution tax – see below; but
- the Fund's investment income is tax exempt, on the basis that its purposes are charitable; and
- when you or your family receive a benefit from the Fund, the amount paid will not be subject to any further New Zealand taxation.

The current tax exemption on the Fund's investment income may change or be discontinued in the future.

The Fund is **not** a portfolio investment entity (*PIE*) and therefore Prescribed Investor Rates are not applicable to the investment earnings allocated to members' Locked-In Accounts.

If you have queries relating to the tax consequences of investing in the Fund you should obtain professional advice on those consequences.

New Zealand residents - tax on contributions

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

As at the date of this document, employer contributions to the Fund 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 or a KiwiSaver scheme) was \$18,720 or less in the previous income year;
- 17.5% if the total of those earnings plus employer contributions was between \$18,721 and \$64,200 in the previous income year;
- 30% if the total of those earnings plus employer contributions was between \$64,201 and \$93,720 in the previous income year;
- 33% if the total of those earnings plus employer contributions was between \$93,721 and \$216,000 in the previous income year; and
- 39% in every other case.

If your current paying authority 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 overseas transferred funds

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

The withdrawal of any other funds transferred to the Fund (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.

Tax on benefits

Under current New Zealand legislation, when you receive a benefit from the Fund in New Zealand the amount paid 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 Fund.

10. Conflicts of interest

We and the Investment Committee maintain conflict of interest policies. Members of the NZACPB 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 NZACPB and/or the Investment Committee.

Notwithstanding their interests, all NZACPB members must act honestly, in good faith and in the Fund members' best interests, treat members equitably and not use Fund information either for improper advantage or to cause detriment to Fund members. The Trustee must also, in exercising any power or performing any duty, exercise the care, diligence and skill that a prudent person engaged in the profession of acting as manager of a registered retirement scheme would exercise in those circumstances. We have a Licensed Independent Trustee as an NZACPB member, as required by the FMCA.

Where the Trustee 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 Fund members' best interest or on arm's length terms (or otherwise comply with the FMCA related party transactions provisions); and
- the Trustee, with the consent of the Licensed Independent Trustee, must certify accordingly.

If any particular conflicts of interest do arise in relation to the Fund then the Trustee 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 an NZACPB member who is conflicted due to having a direct personal interest in a matter under consideration withdraw from the discussions and decision-making process.

11. 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 Fund.

12. Market indices

The market index that has been used to calculate the market index annual return published in our latest annual Fund Update for the Fund is a composite index:

- comprising the benchmark sector indices used to measure the Fund's investment performance in each of the following asset classes:
 - cash and cash equivalents;
 - NZ fixed interest (excluding NZ mortgages);
 - international fixed interest;
 - Australasian equities; and
 - international equities; and
- weighted according to the Fund's target allocation to that asset class.

For a description of each of these benchmark sector indices (and links showing where to obtain more information about them) see the SIPO, a copy of which is available:

- from www.angfinicare.nz/resources/; or
- on the offers register at www.disclose-register.companiesoffice.govt.nz/ under The New Zealand Anglican Church Pension Fund (select *Search for an offer*, enter OFR10842 and go to *Documents*).

The Trustee has determined that those of the Scheme's assets which comprise:

- NZ mortgages (i.e. direct mortgage-backed loans); and
- alternative assets (described in the Fund Update as 'other' assets) – these are forests, forest land, smart energy (shares in publicly listed companies offering sustainable energy opportunities) and private equity;

do not have either an appropriate market index or a peer group index, because there is no quoted market price for some of the underlying assets and/or the nature of the underlying assets differs markedly from the composition of other relevant possible indices. Specifically:

- in the case of NZ mortgages, some of our mortgage-backed loans are interest only and the majority have been made to clergy and clergy family members, so our clientele is markedly different from the market (and in addition, we have no historical credit loss experience, which differentiates our portfolio from market lenders);
- in the case of our investments in smart energy, we consider that there is no appropriate market index or peer group index due to the nature of the relevant underlying fund, which focuses on a concentrated group of listed companies transitioning away from fossil fuels and into sustainable energy sources;
- in the case of private equity, the pricing information for listed private equity investments includes inputs differing from the returns data generated by our overseas private equity managers, and we do not consider that it provides a useful benchmark for our private equity performance; and

- in the case of forestry, we directly own just one forest in Hawke's Bay which:
 - has been assessed as 66% suitable for ground based harvesting and otherwise as suitable for hauler (cable) harvesting;
 - is close to a port and a pulp and sawlog mill;
 - is predominantly a post-1989 forest, with 659.8 hectares registered in the Emissions Trading Scheme (ETS); and
 - is now into its second rotation;

and because the valuation of this asset is very specific to its location, its land type and the age classes of the trees (seven, counting post Cyclone Gabrielle replanting), we do not consider that public market data on forestry investments (which is generalised across multiple locations, land types, rotations, ETS classifications and age classes) provides a useful performance benchmark.

The Trustee considers that the composite index described above is likely to be useful to investors when assessing the performance of the Fund as a whole, because:

- throughout the relevant periods, the Fund's investments have principally been held in asset types other than NZ mortgages and alternative assets; and
- accordingly the Trustee considers that composite market index to provide a reasonable benchmark against which to compare the performance of each Fund as a whole.

A Product Disclosure Statement is available upon request.

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