

The New Zealand Anglican Church Pension Fund

Other Material Information

6 August 2020

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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 at www.angfincare.nz/resources-2/ and on the register at www.disclose-register.companiesoffice.govt.nz/ (*Disclose*) in relation to the Fund.

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:
- *paying authority* means the body which pays you your stipend:
- *You or your* means members or prospective members of The New Zealand Anglican Church Pension Fund:
- *current or currently*, in relation to legislation, a policy or a practice, refers to that legislation, policy or practice 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.

Capitalised terms used in this document have the same meaning as in the Fund's Trust Deed and Rules dated 19 June 2019 (*Trust Deed*) unless otherwise defined in this document. A copy of the Trust Deed is available at www.angfincare.nz/resources-2/.

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.

It is registered under the Financial Markets Conduct Act 2013 as a restricted workplace savings scheme. The Fund 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-2/) and its assets must be invested in accordance with its SIPO.

As a restricted workplace savings scheme, 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 (*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.

3. Information about those involved with the Fund

Trustee

The Trustee of the Fund is The New Zealand Anglican Church Pension Board which trades as Anglican Financial Care.

We are 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.

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 and a member of the Christchurch Diocesan Pension Committee. Lawrence was appointed by representatives of the New Zealand Anglican Dioceses 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 Rangitīhi

Isaac is recently ordained to the Diaconate with a professional background in entrepreneurship and has experience with investment and capital fundraising to support R&D and growth across NZ start-up ecosystems. Isaac is a lateral thinker, cares about God's creation and 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 economic development, banking and finance. She is an independent specialist director on the board of the Bank of Cook Islands, a role she has had 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.

Brendan O'Donovan M Com (Hons) (Licensed Independent Trustee)

Brendan is a professional director with over 25 years' experience in the financial services industry. His most recent corporate role was as Chief Economist of Westpac Banking Group NZ. Brendan is Trustee for a number of superannuation funds and serves as an adviser to Parliament's Finance and Expenditure Committee. Brendan was appointed to the Board by the Standing Committee of General Synod/te Hīnota Whānui as the

Board's Licensed Independent Trustee from 1 April 2017. He is also Chair of our Investment Committee.

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 NFC Bank and a director of a number of companies in Fiji. He previously served as the Chairman of Telecommunications Fiji Ltd 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. He is also a member of our Investment Committee.

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 at any time is available at www.angfincare.nz/our-people/, and their contact address is at www.angfincare.nz/contact/.

Investment committee

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

The Investment Committee must comply with investment policies set by the Board and must act within the scope of its delegated authority from the Board.

The current members of the Investment Committee, who can be contacted at Anglican Financial Care's address, are Board members Brendan O'Donovan, who is Chair of the Investment Committee, and Hugh Stevens and the following non-Board appointees:

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.

Andrew Johnson – BSc (Math), CFA

Andrew has over 35 years' experience in the investment and superannuation industries. Currently he is a professional director and independent investment consultant specialising in strategic portfolio management. Prior to this Andrew was employed as Head of Asset Consulting for a global asset manager. He joined the Investment Committee on 1 July 2019.

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.

Actuary

Aon Hewitt are the Fund's current actuary.

Auditors

EY are the Fund's current auditors.

Solicitors

Chapman Tripp are the Fund's current solicitors.

4. Additional information about the Fund

Ethical investment

We intend that the Fund will be generally administered in a manner consistent with what we consider to be 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 Fund may invest in indices 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).

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

Investment returns (CF Section only)

We currently calculate an earnings rate for the savings in members' Locked-In Accounts on a quarterly basis. This return can be positive, negative or zero. If we declare a negative earnings rate, we will reduce your Locked-In Account balance. Currently we allocate investment earnings to your account quarterly.

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 the average return of the previous 20 quarters Earnings Rate unless otherwise determined by the Trustee.

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 earnings of the Fund;
- taxation liabilities and provisions;
- the liquidity of investments; and

- such other matters as the Board may consider relevant;

and which is determined after deducting any amounts that we think appropriate to provide for expenses, fees, charges or costs associated with the administration and management of the Fund.

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

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
LESS investment expenses and non-investment expenses
LESS interest allocated on withdrawals since the previous allocation

and

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

Government contributions (CF Section only)

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

- contribute to the Fund; and
- live mainly in New Zealand; and
- are aged between 18 and your Lock-in Date,

you will be eligible for annual Government contributions matching your own personal contributions to your Locked-In Account 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 or a member of a complying superannuation fund, had yet to reach age 18 or were contributing while 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 \$521.43 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 where you are withdrawing or transferring all of the savings in your Locked-In Account from the Fund).

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 Financial Markets Conduct Act 2013 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.

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
- the Fund becomes financially non-viable.

The Financial Markets Authority 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 under the Trust Deed we must, as far as possible:

- pay pensions to pensioners, refund the contributions of members who have yet to retire (with an interest allowance which 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);
- pay any remaining 'trust funds' which have been allocated to the Fund for amalgamation or administration under 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 examine the most recent actuarial report on the Fund and a copy of the Trust Deed. 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 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 which Anglican Financial Care incurs among the Fund, The Retire Fund, 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, fees payable for services provided by the Fund's legal advisers 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.business.govt.nz/disclose/.

6. 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 for CF Section members, your savings in your Locked-In Account. These are set out in separate sections below.

Pensionable Service Benefit

Your pension is determined by the amount of pensionable service you have accrued and the applicable rates (based on your age at retirement) applying at that time.

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 returns from the Fund.

You may not receive your pensionable service based benefits:

- if you or your paying authority ceases contributing for any reason;
- if the contributions, 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;
- if law changes adversely impact on the Fund;
- if a change permitted under the Trust Deed and legislation, or a change to the tax treatment of the Fund's income (see 'Additional Information About Tax' on page 12) has the effect of reducing the benefits set out in the Trust Deed; or
- if you became bankrupt (in which case your 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 negative. If we declare a negative earnings rate then, if you have been a member for a very short time, you may receive a benefit that is less than your own contributions to your Locked-In Account.

Locked-In Accounts – asset class risks

There are risks arising from investments in each asset sector. These risks may affect the value of your savings 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 to interest rates in the market (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);

- **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; and
- **Liquidity:** certain investments becoming illiquid, meaning we cannot sell assets when we want to, or can only sell them at a discount; and
- **Private Equity:** These are investments comprising ownership interests in, or fixed interest investments issued by, 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.

The relative significance of these risks will be affected by a 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(s)*").

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 the Fund's investments;
- **Administrative or operational risk** is the risk arising from technological or other failures, a process failure, 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 taxed;
- **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).

7. Basis of estimates for Fund charges in PDS

The annual Fund charges estimated in the PDS include estimates for certain fees, including administration, investment management and other professional services fees. We determine these items based on estimates we receive from our service providers. The PDS sets out our estimate of these fees, as a percentage of the net asset value of the Fund.

8. 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 New Zealand 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 earning 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.

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 \$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; and
- 33% 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 KiwiSaver or New Zealand retirement savings 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.

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.

Tax on benefits

Under current New Zealand legislation, when you receive a benefit from the Fund the amount paid will not be subject to any further New Zealand taxation. However, you should seek tax advice in your country of residence concerning the tax treatment in that country of payments from the Fund.

9. 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 Investment Committee.

Notwithstanding the interests of the parties which have appointed them, all of the Board's members must act honestly and in the members' best interests, treat members equitably and not use Fund 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.

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 members' best interest 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 Board member, must certify accordingly.

If any particular conflicts of interest do arise in relation to the Fund 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.

10. 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.

11. Market indices

The benchmark portfolio against which we compare the investment return for the Fund is a composite index:

- comprising the benchmark indices used to measure the Fund's overall performance by individual asset class; and
- weighted according to the target investment mix.

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.angfincare.nz/resources-2/; or
- on the offers register at www.disclose-register.companiesoffice.govt.nz/ under The New Zealand Anglican Church Pension Fund (select *Search Offers*, enter *OFR10842* and go to *Documents*).

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