



Other Material Information

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Section 1 - General

This document sets out important information about your investment in the NZAS Retirement Fund (**Fund**). It should be read together with the Product Disclosure Statement (**PDS**) for the offer of Fund membership, the Statement of Investment Policy and Objectives (**SIPO**) and the other Fund-related documents held at www.disclose-register.companiesoffice.govt.nz (select *Search for an offer* and enter *NZAS*).

In this document:

- *Trustee, we, us or our* means NZAS Retirement Fund Trustee Limited; and
- *current or currently* in relation to legislation, policy, an activity or a practice refers to that legislation, policy, activity or practice as at the date of this document.

We have prepared this document to meet the requirements of clause 52 of Schedule 4 of the Financial Markets Conduct Regulations 2014.

Section 2 – Trustee and its directors

The Trustee of the Fund is NZAS Retirement Fund Trustee Limited.

The Trustee is a wholly owned subsidiary of New Zealand Aluminium Smelters Limited (**NZAS**). Its sole purpose is to act as the trustee of the Fund.

The Trustee's constitution provides that it must ordinarily have 8 directors, of whom:

- at least one is a New Zealand resident;
- half (including a Licensed Independent Trustee director) are appointed by NZAS; and
- half are elected by the members of the Fund and are themselves members.

Details of the Trustee's current directors at any time (both Company-appointed and Member-Elected) are shown under *Documents* on the Fund's website www.nzasretirementfund.com (go to *Fact sheets*).

Section 3 – More about the Fund

3.1 Earnings rates

Before determining the rate of investment earnings applying from time to time to each investment option in the Fund (Cash, Conservative, Balanced and Growth), the Trustee will determine the net market value of the relevant assets according to generally accepted accounting practice.

The Trustee will determine the rate of investment earnings for each investment option at monthly intervals based on actual returns net of tax and investment fees and approximate investment consulting (and any investment advisory) fees. The allowance for tax will be made by utilising the PIE tax information provided by the managers of the underlying funds into which the Fund's assets are directly invested.

When you become eligible to receive a benefit (or if you die while a member, when we are informed of your death):

- for each investment option you have chosen, weekly interim earnings rates will be

allocated to your Fund balance for the period between:

- the end of the month for which earnings rates were last declared; and
- generally, the most recent Friday;

based on the returns from investment funds with asset allocations very similar to those of the Fund's investment options (with the aim of approximating the investment earnings of each option for that period);

- a daily crediting rate (currently a fixed notional rate equal in before-tax terms to the Official Cash Rate) will apply for the period between the date as at which the most recent weekly earnings rates were calculated and when you qualified for a benefit (or if applicable, when we were informed of your death); and
- if you have left service and are not leaving your balance in the Fund, the Trustee's current policy is to apply earnings to your balance from the day after you left service until the day your benefit is paid (or transferred to another scheme) using a fixed notional rate equal in before-tax terms to the Official Cash Rate.

If you have died then we will transfer your Fund balance into the Cash Fund effective from the date when we are notified of your death, where it will be held until the date when your death benefit is paid to your legal personal representatives.

As soon as practicable after the end of each Fund year (30 June) the Trustee will determine for each investment option a rate of investment earnings for that Fund year (for crediting or debiting to the relevant members' accounts) based on:

- the Fund's audited financial statements; and
- any other information that is considered relevant;

with the final year-end earnings rates achieved by retrospectively adjusting the earnings rates for June.

Members who exit before the final year-end rates are declared will receive investment earnings based on the provisionally calculated June rates and subsequent monthly, weekly and daily crediting rates.

If we declare a negative earnings rate for an investment option in which you have invested some or all of your Fund balance, we will reduce your Fund balance to the relevant extent. We will also reduce your balance if the interim earnings rate for the final period before a benefit becomes payable is negative.

If you elect to switch investment options then, provided that your switch election:

- occurs before the end of the current month, if made online at www.nzasretirementfund.com; or
- is received no later than 5 working days before the current month-end, if made by completing the *Application to Change Investment Option(s)* form at www.nzasretirementfund.com;

the switch will take effect on the 1st of the following month, using the earnings rate(s) applying to your current (i.e. pre-switch) investment choice(s) for the prior month.

However, the switch won't be fully processed (and become visible on the Fund's website) until after the prior month's crediting rates are determined, which normally occurs around 25 days after month-end.

For more information about how the Trustee determines investment earnings rates, see the *Crediting Rate Policy* document at www.disclose-register.companiesoffice.govt.nz (select *Search for an offer*, enter *NZAS* and click on the *Documents* tab). That document also details the compensation policy that the Trustee applies if a material error is made in determining an earnings rate - in summary terms, currently:

- a 'material' error is one equalling or exceeding 0.30% of the value that would have accumulated without the error; and
- the Trustee will not pay compensation to an exited member for an amount less than \$20.

3.2 Buying a first home

If we approve your first home purchase withdrawal, we will pay the money direct to your solicitor or conveyancing practitioner.

If you have owned land or a house before and do not qualify to make a first home purchase withdrawal, you may still be able to make a withdrawal if you give us confirmation from Kāinga Ora (formerly Housing New Zealand) that it is satisfied your financial position is what would be expected of a person who has never owned land or a house.

For more information or a form, phone Kāinga Ora (0508 935 266), email firsthome.enquiries@kaingaora.govt.nz or visit www.kaingaora.govt.nz (search *Home ownership* then click on the *KiwiSaver first-home withdrawal* link).

3.3 Meanings of Total Disablement and Ill-Health

If you are a Subsidised Member and you **die** or suffer **Total Disablement**, your benefit will include (on top of your total Fund balance):

- except as outlined in the PDS, an amount equal to your current Base Salary (unless your Employer has already paid this additional amount); plus
- if you are aged below 65, an insured benefit.

If you are a Subsidised Member and you leave service due to **Ill-Health** before age 65, your benefit will include (on top of your total standard balance¹) half the insured benefit which would have been payable had you suffered Total Disablement.

Total Disablement means absence from service for 6 continuous months (or such shorter period as we decide) due to incapacity that is of such an extent that we (in our discretion) determine that you are unlikely ever to engage in or work for reward to a significant extent in any occupation or work for which you are reasonably qualified by education, training or experience.

Ill-Health means physical or mental ill-health (not amounting to Total Disablement) caused through illness, infirmity or accident which in our opinion makes you unable to perform:

¹ Your locked-in balance will be payable only if you have suffered **serious illness** as defined for KiwiSaver purposes (see section 3.4). Practically speaking, Total Disablement is expected to meet the serious illness test, but Ill-Health is not.

- the normal duties you performed before leaving service; and
- the duties of any other position with your Employer for which you are considered to be reasonably suited;

with such duties being as determined and advised to us by your Employer.

If we took out an insurance policy to pay the Ill-Health or Total Disablement benefits payable from the Fund, the insurer's definitions of Total Disablement and Ill-Health would apply instead of the above definitions (and would determine whether an Ill-Health or Total Disablement benefit was payable).

3.4 Serious illness or life-shortening congenital conditions

As noted in the PDS, you can withdraw your total Fund balance if we are reasonably satisfied that you have suffered **serious illness** as defined for KiwiSaver purposes.

Under the KiwiSaver Act 2006, *serious illness* currently means an illness, injury or disability that:

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

As also noted in the PDS, you can withdraw your Locked-in Balance before reaching NZ Super 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 condition²; 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 Balance on this basis, you will be treated for KiwiSaver purposes 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 KiwiSaver.

3.5 Transfers

When you qualify for a benefit payment from the Fund, you may direct us to transfer your benefit entitlement to any other workplace savings, KiwiSaver or superannuation scheme (or equivalent overseas retirement scheme) which is legally permitted and agrees to accept the transfer.

3.6 Amending the Trust Deed and SIPO

NZAS can amend or replace the Trust Deed for the Fund with the consent of the Trustee and the Financial Markets Authority (and subject to other restrictions set out in the Financial Markets Conduct Act 2013 (**FMC Act**)).

We can amend the SIPO for the Fund, including benchmark asset allocations and ranges, at

² 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.

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.

3.7 Wind-up

NZAS or (with the written consent of NZAS) the Trustee may resolve to wind up the Fund at any time.

We must wind up the Fund if NZAS is liquidated or ceases operating. The Financial Markets Authority may also require the Fund to be wound up in certain circumstances set out in the FMC Act.

On a wind-up, we will provide first for any debts and benefits due and unpaid before the effective wind-up date, then liquidate the Fund's assets and (after paying any costs, expenses and fees of winding up required to be paid from the Fund) distribute the remaining moneys as follows:

- members with retirement accounts will receive as lump sums the amounts in those accounts;
- employee members will receive their standard – i.e. non-locked-in – balances as lump sums; and
- each member with a locked-in balance will have that balance transferred to:
 - the KiwiSaver scheme which they have chosen and joined (for crediting to the investment fund they have chosen within that scheme); or
 - if they have not chosen and joined a KiwiSaver scheme, the Government-appointed default KiwiSaver scheme to which Inland Revenue allocates them (for crediting to the default investment fund within that scheme);

unless the member has reached NZ Super age, in which case they will receive their locked-in balance as a lump sum.

If there are insufficient funds (after meeting wind-up costs) to pay all benefits, retirement account balances will be paid first in priority, other standard balances will be paid second and locked-in balances will be distributed last.

If any money remains in the Fund after distributing all members' account balances to them in full, we will apply that money to increase the benefits payable to subsidised employee members in a manner which is equitable. For the purpose of determining what is equitable we will exclude any portion of a member's balance that is assessed as being attributable to salary sacrifice contributions which, when made, took the member's own aggregate after-tax contributions above the greater of:

- the standard 4%; or
- the rate at which the member was contributing to the Fund immediately before commencing the salary sacrifice.

3.8 Indemnities

Unless the Trustee fails to meet the 'proper performance' standard of care required by the FMC Act, both the Trustee and its directors are indemnified from the assets of the Fund for

and in respect of any loss or liability which they may sustain or incur by reason of the carrying out or omission of any function, duty or power of the Trustee under the Trust Deed.

Further information in relation to the Trustee's responsibilities and indemnities is set out in the Trust Deed.

Section 4 - Risks

4.1 General

All investments involve risk - the possibility of losing some or all of your investment or of not achieving the return you expect. The value of your Fund investment is not guaranteed and can go up and down based on the performance of your chosen investment option(s).

Generally, investments in income assets (such as cash and cash equivalents and fixed interest) tend to be less volatile than investments in growth assets (such as equities and property).

4.2 Main investment risks

The main risks that can affect your investment in the Fund include:

- **investment portfolio and asset class risk:** each investment option is subject to the particular risks applying to the types of assets we invest in (see *Asset class risks* in section 4.3) and investment options with a higher concentration of growth assets have a correspondingly higher level of risk;
- **market risk:** market sentiment, inflation, interest rates, employment, political events, environmental and technological issues or natural disasters affecting value – we seek to reduce this risk by diversifying (currently) across equities, property, fixed interest, cash and cash equivalents in our multi-sector investment options;
- **manager risk:** investment decisions made by the managers of the investment funds in which we invest (and underlying fund managers) resulting in returns differing from a relevant index and from competing investments - we seek to reduce this risk by reviewing manager appointments from time to time and using a diverse range of managers with differing styles and philosophies;
- **currency risk:** fluctuating exchange rates affecting international returns – currently we seek to reduce this risk by requiring that our international investments be hedged as described in the SIPO;
- **credit risk:** in the case of cash or fixed interest, borrowers defaulting on their loans or becoming unable to meet financial obligations (resulting in reduced returns or inability to recover the full amount invested) – the ways in which we seek to reduce such risks in relation to fixed interest investments include diversifying those investments and ensuring a range of maturity profiles;
- **interest rate risk:** changes in interest rates directly or indirectly affecting investment returns (in particular for cash and cash equivalents and fixed interest);
- **liquidity risk:** markets in which investments are held becoming illiquid, meaning that we cannot sell assets when we want to, or can only sell them at a discount, to enable withdrawals (some assets are more difficult to sell than others, especially when market conditions deteriorate) – we seek to reduce liquidity risks:
 - by managing the Fund's investments with a view to ensuring that its cashflow

requirements are met; and

- in particular, by holding units in unitised managed investment funds that invest into securities listed on recognised markets or which are otherwise considered readily saleable; and
- **derivative risk:** a derivative is a financial contract whose value depends on the future value of underlying assets and which is designed to provide exposure to an asset without having to buy or sell it – we may from time to time use derivatives to manage market or currency risk or seek improved returns, and some underlying fund managers may also use derivatives (for example as a risk management tool) – derivative risks include the fact that using derivatives as an alternative to investing in physical assets can magnify the effect of adverse asset price fluctuations.

4.3 Asset class risks

The main risks associated with each asset class are:

- **Cash and cash equivalents:** inflation may erode value (i.e. the return may be less than inflation) and the entity holding the cash may be unable to pay interest or repay the investment;
- **Fixed interest:** value may be affected by changes to market interest rates (if these rise the investment becomes less valuable) and a borrower may be unable to meet interest payments or repay the investment;
- **Equities:** value may be affected by company performance, market sentiment or the economic performance of a country or sector, and by currency fluctuations; and
- **Property:** value may be affected by demand, location, quality, market conditions, opinion and the market for property investment (and property can be relatively illiquid).

4.4 Other investment risks

The value of your investment in the Fund may also be affected by:

- **regulatory risk:** changes to tax or other relevant legislation adversely affecting the operation of the Fund or its investments;
- **administrative or operational risk:** technological or process failures, fraud, litigation, business disruption by industrial dispute, system failure, natural disaster or other unforeseen events affecting either the Fund or markets generally;
- **counterparty risk:** a party to a contract not fulfilling or disputing its obligations, becoming insolvent or otherwise being unable to meet its obligations; and
- **service provider risk:** a party associated with operating the Fund and investing assets failing to perform its obligations (adversely affecting returns, service levels or withdrawal payments).

Section 5 – More information on fees

5.1 Annual fund charges

The annual fund charges estimates shown in the PDS comprise estimates (each of which is expressed as a percentage of net asset value) of investment management, investment consulting and investment advisory costs.

The investment management costs estimates are based on estimates of the investment management fees and expenses for each asset class as advised by our Investment Consultant from time to time, weighted by our target asset allocations for each respective investment option.

The fee paid each year to our Investment Consultant is currently a fixed amount agreed under the Services Agreement described in Section 7 of this document. This fee is adjusted on each 1 January as set out in the PDS. The fees paid each year to our independent Investment Adviser are time cost-based and our estimate of those fees is based on information provided by the Investment Adviser and our experience to date.

In coming to each overall estimate we have anticipated that the ongoing charges from our investment-related service providers will not significantly differ from those currently charged. We have also assumed the continuation of both our current target asset allocations for each investment option and the current range of underlying fund managers.

5.2 Insurance charges

The current standard annual charges for the additional death, Total and Permanent Disablement and Ill-Health benefits payable from the Fund are as shown in Section 10 of this document. These charges are calculated and deducted by instalments from the member's company account as at the end of each calendar month.

Where Section 10 refers to "*Age last birthday*", this means the member's age as at the end of the immediately preceding calendar month.

The *Cover Levels* shown in Section 10 assume (for illustrative purposes) that the relevant most recent birthday was on the last day of the immediately preceding calendar month. However, a member's Cover Level reduces proportionately each month as the member ages

As an example of how a member's Cover Level reduces over time:

- a member with basic cover whose 40th birthday was on the last day of the immediately preceding calendar month has a current cover level of 2 times base salary (8% times 25) based on the exactly 25 years until they reach age 65; and
- that member's cover level will then reduce progressively over time each month, to (for example):
 - 1.96 times base salary (8% times 24.5) when 6 complete months have passed since their 40th birthday; and
 - 1.92 times base salary (8% times 24) during the first month after their 41st birthday.

As noted in the PDS, the Trustee may increase or decrease the annual charges shown in Section 10 after taking actuarial advice and having regard to actual claims made against the Insurance Account from time to time.

Section 6 - Conflicts of interest

The Trust Deed requires four of the Trustee's directors (who must themselves be Fund members) to be elected by Fund members and the other four Trustee directors to be appointed by NZAS. Currently, one NZAS-appointed Trustee director and all of the member-elected Trustee directors are members of the Fund. Other directors of the Trustee (if employed by NZAS or Pacific Aluminium (New Zealand) Limited) may be or become members of the Fund from time to time.

Currently:

- two NZAS-appointed Trustee directors and two member-elected Trustee directors are employed either by NZAS or by an associated company; and
- two member-elected Trustee directors (each of whom also remains a member of the Fund, as noted above) are retired employees of NZAS; but
- the Chair and the Licensed Independent Trustee director are both independent of NZAS and of every associated company of NZAS.

Notwithstanding the interests of the parties which have appointed or which employ them, all of the Trustee's directors must act at all times honestly and in good faith 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 Trustee must also, in exercising any power or performing any duty, exercise the care, diligence and skill that a prudent person of business would exercise in the same circumstances.

Additionally the Trustee:

- uses an Administration Manager which is independent of both NZAS and members;
- invests in underlying managed funds managed by professional investment managers which are also independent of both NZAS and the members; and
- has both a Licensed Independent Trustee director (as required by the FMC Act) and an independent Chair who is himself a Licensed Independent Trustee.

Where the Trustee has entered, or enters, into any transaction providing for a related party benefit (as defined in the FMC Act) to be given from Fund assets:

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

If any particular conflicts of interest do arise in relation to the Fund, then the Trustee's directors 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 and other advice concerning the exercise of their duties and powers; and
- having a Trustee director who is conflicted by reason of having a deliberative role for NZAS, or a direct personal interest, in relation to a matter under consideration withdraw from the relevant discussions and decision-making process.

Section 7 - Material contracts

We have entered into the following contracts which are considered material information in respect of the Fund.

7.1 Services Agreement

Pursuant to a Services Agreement between the Trustee and Mercer (N.Z.) Limited (**Mercer**) dated 13 February 2018 as amended effective 1 December 2020, the Trustee has:

- delegated to Mercer (which accordingly administers the Fund on our behalf) the performance of both administration management and secretarial functions for the Fund; and
- appointed Mercer also to provide communication, online, investment consulting and actuarial services to the Fund (and certain additional services on an as required basis).

Mercer is paid directly by NZAS for the services it provides to the Trustee under the Services Agreement (with the exception of investment consulting services, for which it receives fees from the Fund).

The services provided by Mercer in its capacity as the Administration Manager for the Fund include (among other things):

- maintaining and managing all member and Fund-related data and member accounts;
- attending to all new member admissions;
- receiving, reconciling and banking contributions and attending to creditor payments;
- managing the benefit claims process and all withdrawal and transfer payments;
- attending to interim and year-end earnings rate determinations;
- administering the member investment choice facility;
- ensuring compliance with all disclosure and year-end and event-driven reporting and registration requirements, and with the Trustee's Privacy Act 2020 obligations;
- ensuring compliance with all accounting, tax and auditing requirements for the Fund; and
- assisting the Trustee as custodian with meeting its custodial controls obligations (including providing the Trustee, as custodian, annually with a Type 2 ISAE 3402 custodial controls report).

The services provided by Mercer in its capacity as the secretarial services provider to the Fund include (among other things):

- managing and facilitating communication between the Trustee and other parties involved directly or indirectly with the management, operation or regulation of the Fund;
- planning, organising, attending and taking minutes for Trustee directors' meetings;
- maintaining filing and archiving systems for all Fund-related data and other records; and
- providing other ad hoc secretarial support services on an as required basis.

The communication and online services provided by Mercer to the Fund under the Services Agreement include providing and maintaining a secure member website and providing client centre services (including telephone support) for members and additional member services such as regular newsletters.

The Services Agreement also sets out the basis on which Mercer provides investment consulting and actuarial services to the Fund and (on an as required basis) additional services such as strategic advice and assistance.

7.2 Catastrophe insurance policy

Pursuant to an insurance contract between the Trustee and Everest Group Limited (known as Everest Insurance) which is renewed each December, we have a catastrophe insurance policy designed to cover the Fund if a single accident results in five or more insured death or Total Disablement claims from members.

Following any such accident, all resulting death and/or Total Disablement benefit claims would be determined and paid in the same way as currently (see section 3.3), with the Trustee remaining responsible for:

- making the resulting death and/or Total Disablement insurance payments direct from the Insurance Account in the Fund; and
- deciding whether a member has suffered Total Disablement based on the definition in the Trust Deed.

However, under the current catastrophe insurance policy (and subject to the terms of that policy) the insurer would then partly reimburse the Fund for the death and/or Total Disablement insurance payments resulting from the accident, as follows:

- the first \$1 million in death and/or Total Disablement insurance payments would be met from the Insurance Account without reimbursement from the insurer;
- the insurer would then reimburse the Fund for up to another \$19 million in death and/or Total Disablement insurance payments; and
- any additional death and/or Total Disablement insurance payments would be met from the Insurance Account without reimbursement from the insurer.

We use the Insurance Account in the Fund to pay the premiums for this cover, and the total catastrophe insurance premium paid from the Insurance Account each year is shown in the Fund's financial statements.

The relevant benefits are not otherwise externally insured, but we may purchase insurance for any of them from a life insurance company if and to the extent that this is practicable and we consider it prudent (and use the Insurance Account to pay the premiums).

Section 8 - Market indices

The benchmark portfolio against which we compare the investment return for each of the Fund's multi-sector investment options (Conservative, Balanced and Growth) is a composite index:

- comprising the benchmark indices used to measure the Fund's overall performance by asset type; and
- weighted according to the target investment mix for that investment option (except as described below).

The benchmark against which we compare the investment return for the Cash investment option is the S&P/NZX Bank Bills 90-Day Index.

The current benchmark indices used by the Fund (by asset class) are set out in our SIPO, which is available at www.disclose-register.companiesoffice.govt.nz (select *Search for an offer*, enter *NZAS* and click on the *Documents* tab).

More information about the benchmark indices referred to in the SIPO (and in the annual fund update for each of the Fund's investment options) can be found on the following websites:

Australasian equities benchmark index

S&P/NZX 50 Gross Index (with imputation credits) –
<https://www.spglobal.com/spdji/en/indices/equity/sp-nzx-50-index/>

International equities benchmark index

MSCI World Index with net dividends reinvested (50% hedged to NZD on an after-tax basis) – <https://www.msci.com/world>

International listed property benchmark index

FTSE EPRA/NAREIT Global Real Estate Index with net dividends reinvested (100% hedged to NZD on an after-tax basis) –
<http://www.ftserussell.com/products/indices/epra-nareit>

International listed infrastructure benchmark index

FTSE Global Core Infrastructure Capped 50/50 Index (100% hedged to NZD on an after-tax basis) - <http://www.ftserussell.com/products/indices/Infra>

New Zealand fixed interest benchmark index

Bloomberg NZBond Composite 0+ Yr Index -
<https://www.bloomberg.com/professional/product/indices/bloomberg-ausbond-index/>

International fixed interest benchmark indices

Bloomberg Global Aggregate Index (100% hedged to NZD on an after-tax basis) -
<https://www.bloomberg.com/quote/LEGATRUH:IND>

Cash and cash equivalents benchmark index

S&P/NZX 90-Day Bank Bill Index - <https://www.spglobal.com/spdji/en/indices/fixed-income/sp-nzx-bank-bills-90-day-index/#overview>

Section 9 - Taxation

9.1 Tax on contributions

No additional tax is payable on your contributions to the Fund, as these are deducted from your Base Salary after tax has been paid.

Your Employer must deduct employer's superannuation contribution tax (**Contribution Tax**) from its contributions before they are paid to the Fund. The Contribution Tax rate is calculated based on:

- the before-tax earnings and superannuation contributions which you received from that Employer during the last income year (1 April to 31 March); or
- if your Employer did not employ you for all of that income year, its estimate of the before-tax earnings and employer superannuation contributions that it will pay for your benefit during the current income year.

You can find information on the current ESCT rates on the Inland Revenue website

www.ird.govt.nz (search for *ESCT*).

9.2 Tax on investment income

The Fund is currently taxed at the rate of 28% on all taxable investment income. This tax is deducted from the income of the Fund before we allocate income to your Fund balance. A tax deduction also applies at that rate to certain expenses.

The Fund is not a portfolio investment entity (**PIE**) but we invest all Fund assets (other than cash held in bank deposits) in PIEs. This means that our investments in New Zealand equities, and in most Australian equities listed on an approved ASX index, are generally taxed under the PIE tax rules and therefore (under current legislation):

- no tax is paid on any gains from selling such equity investments (and tax deductions cannot be claimed for any losses); and
- dividends are fully taxable, with a credit allowed for any attached imputation credits (but not for any Australian franking credits) and tax credits may be claimed for any withholding tax deducted from such dividends.

Under current legislation, our international equities, international listed property and international listed infrastructure investments are generally taxed (if eligible) under the 'fair dividend rate' (**FDR**) method. Under this method they produce deemed income equal to 5% per annum of their average daily market value and:

- a credit is available for any withholding tax paid on dividends received, subject to certain limits; and
- any dividends or profits from selling the investments are ignored for tax purposes and no tax deductions are allowed for any losses.

Interest earned from income investments and cash at the bank, foreign exchange gains from non-New Zealand dollar denominated fixed interest investments, income from any international equities, international listed property or international listed infrastructure investments that are ineligible for the application of the FDR method, and (except as described below) income derived from hedging contracts³ and other derivatives, are all taxable. Deductions are generally available for losses on those investments, including any foreign exchange losses from non-New Zealand dollar denominated debt instruments, and (except as described below) losses derived from hedging contracts and other derivatives.

For those of our international equities, international listed property and international listed infrastructure investments that are taxed under the FDR method, as at the date of this document the manager of the relevant underlying funds (Mercer):

- has elected to apply the FDR hedging rules to the taxation of hedging contracts held in relation to international equities and international listed infrastructure; and
- anticipates that in the near future it will elect to begin applying the FDR hedging rules to the taxation of hedging contracts held in relation to international listed infrastructure.

Applying the FDR hedging rules to the taxation of hedging contracts, if permitted, means that income or losses arising from those contracts are taxed in a way that broadly aligns with the FDR method described above (impacting the amount of taxable income and the availability of

³ A hedging contract (in this context) means a contract which the manager of an underlying fund enters into for the purpose of protecting investments from potential losses due to fluctuating exchange rates.

deductions).

The relevant underlying fund manager may elect at any time, with respect to hedging contracts held for all or any of our international equities, international listed property or international listed infrastructure investments, that the FDR hedging rules will not apply (or the relevant investments or currency hedges may be ineligible for the application of the FDR method). In either case, the relevant hedging contracts will be taxed under the usual rules, which should mean that all income or losses arising from those contracts are fully taxed.

Deductions are generally available for expenses incurred in earning income.

9.3 Tax on benefits

Under current legislation, when you make a withdrawal from the Fund in New Zealand the amount withdrawn will not be subject to any further taxation (as all tax will have been paid within the Fund).

This means you should not include investment income from the Fund in your personal tax return (if you are required to prepare and file one).

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.

9.4 Tax laws may change

The above summary of the tax laws is accurate as at the date of this document. However, tax legislation, its interpretation and the rates and bases of taxation are subject to change (and the application of tax laws depends on your individual circumstances).

The Trustee accepts no responsibility for the tax implications of you joining or receiving a benefit from the Fund.

Section 10 - Insured benefit levels and charges

Cover Level (Multiple of Base Salary)				
Age last birthday	Basic	Medium	Top	Annual charge per \$100,000 of cover (\$)
24 or less	3.00	4.50	6.00	188
25	3.00	4.50	6.00	192
26	3.00	4.50	6.00	196
27	3.00	4.50	6.00	196
28	2.96	4.44	5.92	197
29	2.88	4.32	5.76	201
30	2.80	4.20	5.60	205
31	2.72	4.08	5.44	211
32	2.64	3.96	5.28	221
33	2.56	3.84	5.12	234
34	2.48	3.72	4.96	244
35	2.40	3.60	4.80	253
36	2.32	3.48	4.64	263
37	2.24	3.36	4.48	270
38	2.16	3.24	4.32	280
39	2.08	3.12	4.16	292
40	2.00	3.00	4.00	311
41	1.92	2.88	3.84	321
42	1.84	2.76	3.68	343
43	1.76	2.64	3.52	355
44	1.68	2.52	3.36	380
45	1.60	2.40	3.20	405
46	1.52	2.28	3.04	430
47	1.44	2.16	2.88	460
48	1.36	2.04	2.72	485
49	1.28	1.92	2.56	516
50	1.20	1.80	2.40	565
51	1.12	1.68	2.24	604
52	1.04	1.56	2.08	656
53	0.96	1.44	1.92	717
54	0.88	1.32	1.76	787
55	0.80	1.20	1.60	844
56	0.72	1.08	1.44	908
57	0.64	0.96	1.28	954
58	0.56	0.84	1.12	1,021
59	0.48	0.72	0.96	1,111
60	0.40	0.60	0.80	1,205
61	0.32	0.48	0.64	1,338
62	0.24	0.36	0.48	1,405
63	0.16	0.24	0.32	1,459
64	0.08	0.12	0.16	1,580