



BCF KiwiSaver Scheme Q & A

10 October 2016

Table of Contents

Q1	What is KiwiSaver?	3
Q2	Why has the BCF KiwiSaver Scheme been established?	3
Q3	Who can join?	3
Q4	What are the benefits offered to members of the BCF Scheme?	3
Q5	Are the contributions I receive from my employer taxed?	4
Q6	Can I see some worked examples of what contributions might be paid for my benefit?	4
Q7	How will my money be invested?	5
Q8	When can I get my money out?	6
Q9	Who is involved in providing the BCF Scheme?	7
Q10	How much do I have to contribute?	7
Q11	Can I stop contributing?	8
Q12	What if I am already a KiwiSaver scheme member?	8
Q13	Is there any risk that I could lose money in the BCF Scheme?	8
Q14	What will happen if I leave the Brethren community?	9
Q15	What are the charges?	9
Q16	What is the “PIE tax” regime?	10
Q17	Where can I get more information?	10

Q1 What is KiwiSaver?

KiwiSaver is a Government-led initiative to encourage New Zealanders to save for their retirement. New Zealanders who save through a KiwiSaver scheme receive valuable savings incentives.

Q2 Why has the BCF KiwiSaver Scheme been established?

The BCF KiwiSaver Scheme (the BCF Scheme) operates to provide members of the Brethren Christian Fellowship with access to KiwiSaver benefits. Until the BCF Scheme was established in April 2011, KiwiSaver participation was not viable for the Brethren community, because joining KiwiSaver would have involved Brethren members' money being pooled with money held for persons not in fellowship.

For more information on the BCF Scheme and its Trustee (and issuer) Arotahi Trust Limited see the Product Disclosure Statement on the Scheme's website at www.bcfkiwisaver.co.nz/scheme-publications/

Q3 Who can join?

Only members of the Brethren community can join the BCF Scheme. Ordinarily, you must also be aged under 65, living in New Zealand and entitled to permanent residence in New Zealand.

Q4 What are the benefits offered to members of the BCF KiwiSaver Scheme?

Under legislation and Government policy applying as at October 2016 (both of which are subject to change) the key KiwiSaver savings incentives are as follows:

Ongoing Government contributions: If you are aged between 18 and 64 (or you have reached age 65 but still have fewer than 5 years' KiwiSaver membership) then, while you reside mainly in New Zealand and contribute to the BCF Scheme, you will be eligible for annual contributions to the BCF Scheme from the Government, at the rate of 50 cents for every dollar that you contribute, up to a maximum Government contribution of \$521.43 per year (which equals about \$10 a week) per full year of membership.

Compulsory employer contributions: If you are employed and aged between 18 and 64 (or you have reached age 65 but still have fewer than 5 years' KiwiSaver membership) then, while you contribute to the BCF Scheme from your pay, your employer must also contribute to the Scheme for your benefit (on top of your pay, unless you have agreed otherwise) at the rate of 3% of your salary or wages.

Additionally, a **KiwiSaver HomeStart Grant** of:

- \$1,000 for each year of KiwiSaver contributions (maximum \$5,000) if you are buying an existing home, or

- \$2,000 for each year of KiwiSaver contributions (maximum \$10,000) if you are buying or building a new home,

may be available to you if you qualify for a first home purchase withdrawal, have been making regular KiwiSaver contributions for at least 3 years and meet all the other qualifying criteria (see www.hnzc.co.nz).

If both you and your husband or wife are in the BCF Scheme, each of you may qualify to make a withdrawal and to receive a KiwiSaver HomeStart Grant to help you buy or build your first home.

The KiwiSaver HomeStart Grant is subject to income and purchase price limits and other qualifying criteria. It is separate from, and payable in addition to, any first home purchase withdrawal you may be eligible to make from the BCF Scheme.

Q5 Are the contributions I receive from my employer taxed?

Employer contributions are subject to a withholding tax called employer's superannuation contribution tax (ESCT). ESCT is deducted from your employer's contributions before the money goes into your account. ESCT is usually the same as your marginal tax rate, but different tests apply (for more information, including the current ESCT rates, see the 'Other Material Information' document at www.bcfkiwisaver.co.nz).

Q6 Can I see some worked examples of what contributions might be paid for my benefit?

Example 1 – employee

A earns \$52,000 a year and started contributing to the BCF Scheme on 1 July 2013 at the minimum contribution rate of 3% of pay (just under \$30 a week). A's employer contributes to the BCF Scheme for A's benefit on the same basis. This example assumes ESCT is deducted from the employer's contributions at the rate of 17.5%. This is what the contributions made to the BCF Scheme for A's benefit could total after 3 years:

Year	A's contributions	Compulsory employer contributions	Government contributions	Total
1	1,560	1,287	521	3,368
2	1,560	1,287	521	3,368
3	1,560	1,287	521	3,368
Total	4,680	3,861	1,563	10,104

Example 2 –non- employee

Year	A's contributions	Compulsory employer contributions	Government contributions	Total
1	1,043	-	521	1,564
2	1,043	-	521	1,564
3	1,043	-	521	1,564
Total	3,129	-	1,563	4,692

B is not employed (i.e. not receiving salary or wages) and makes direct credit contributions to the BCF Scheme at the rate of \$20 a week. This is what the contributions made to the BCF Scheme for B's benefit could total after 3 years:

Important notes:

1. Each table is based on the KiwiSaver legislation and Government policy applying as at October 2016. Legislation and policy are both subject to change.
2. Conditions apply to receiving government contributions, and not all members will qualify. A and B are both assumed to be aged between 18 and 64 and continuously residing in NZ.
3. Each table shows **only contributions** (assuming no suspension of the member's contributions). It does not take into account investment returns (positive or negative), fees, charges, or inflation.

Q7 How will my money be invested?

All the money in the BCF Scheme is currently (i.e. as at October 2016) invested in bank deposits. Once the Scheme's assets have reached a sufficient size (as determined by the Trustee) it is proposed that its investments will be diversified into other investment types.

The Trustee expects that these other investment types will initially be New Zealand bonds ("bonds" are loans to governments and other organisations, in return for which borrowers generally pay agreed interest for an agreed period).

Bank deposits and bonds are traditionally regarded as conservative investments, because they have lower expected

risk but are likely to produce lower returns over time than growth assets such as shares and property.

The Trustee currently intends that in due course (i.e. when the BCF Scheme is large enough as determined by the Trustee) portions of the Scheme's assets will be invested, subject to legislation, in one or more of the following:

- Deposits with non-bank deposit takers;
- Brethren-owned businesses; and
- Loans made on arm's length terms to organisations within the Brethren Christian Fellowship.

The Trustee may later choose to introduce a member investment choice facility. In that case there will likely be a conservative option weighted towards bank deposits and bonds.

In determining its investment strategy from time to time, the Trustee is assisted by its investment consultant (Melville Jessup Weaver), which also acts as the Scheme's Administration Manager.

Q8 When can I get my money out?

The KiwiSaver Scheme Rules currently allow withdrawals to be made from the BCF Scheme in the following circumstances:

- **Reaching your "Qualifying Date":** This is generally when you qualify for New Zealand Superannuation (currently at age 65). However, if you join aged 60 or more, your Qualifying Date is when you complete 5 years' membership. You will be able to withdraw some or all of your BCF Scheme balance at any time after you reach your Qualifying Date.
- **Purchasing a home:** You will be able to make a withdrawal from the BCF Scheme to help purchase your first home if you intend it to be your main residence and you have saved through KiwiSaver for 3 or more years. If you have owned a home before, you may still be able to make a home purchase withdrawal if you provide the Trustee with written confirmation from Housing New Zealand stating that it is satisfied that your financial position is the same as would be expected of a person who has never owned a home. After the withdrawal, you must leave a minimum of \$1,000 in your BCF Scheme account (as well as any amount you may have transferred from an Australian scheme).
- **Permanently emigrating:** One year after permanently emigrating from New Zealand to any country except Australia, you can withdraw your BCF Scheme balance (excluding all Government contributions other than any \$1,000 'kickstart' you may have received – these must be repaid to Inland Revenue).
- If you permanently emigrate to Australia then:
 - » you cannot make a cash withdrawal; but
 - » you can choose between remaining in the BCF Scheme and transferring your entire balance, including all Government contributions, to an approved Australian scheme.

- **Significant financial hardship:** In certain circumstances (prescribed in the KiwiSaver Scheme Rules), you will be able to make a partial withdrawal from the BCF Scheme if we are satisfied that you are suffering (or likely to suffer) from significant financial hardship. We must be reasonably satisfied that you have explored and exhausted reasonable alternative sources of funding.
- **Serious illness:** You will be able to make a full withdrawal from the BCF Scheme if we are reasonably satisfied that you are suffering from an injury, illness or disability:
 - » making you totally and permanently unable to engage in work for which you are suited by reason of experience, education or training; or
 - » that poses a serious and imminent risk of death.
- **Death:** If you die then your full balance will be paid to the executors or administrators of your estate on request (unless it is less than a prescribed amount – currently \$15,000 – and certain other conditions are met, in which case it may be paid direct to a surviving spouse or caregiver).
- **Withdrawals required by other legislation:** We must comply with any legislation or court order requiring us to release any of your funds from the BCF Scheme.

Q9 Who is involved in providing the BCF Scheme?

The Trustee of the BCF Scheme is Arotahi Trust Limited, which operates for the sole purpose of acting as Scheme Trustee. The Trustee holds all Scheme assets for the members' benefit and is responsible for ensuring that the BCF Scheme is administered in accordance with its Trust Deed and all applicable laws.

The Trustee has delegated the performance of Scheme administration functions to an Administration Manager, Melville Jessup Weaver (MJW). MJW's role includes establishing and maintaining members' accounts, processing contributions, responding to member enquiries and calculating and paying benefits.

Q10 How much do I have to contribute?

Under legislation applying as at October 2016, if you are an employee you must contribute at the minimum rate of 3% of your gross salary or wages. You can elect a higher contribution rate of 4% or 8%.

If you are self-employed or not employed (and aged 18 or more) then to open a BCF Scheme account you must:

- Complete a Direct Debit Authority to make a regular contribution of at least \$20 per month; or
- If you are unable, or do not wish, to commence a direct credit at this time, make an initial deposit of \$100 (by cheque made out to "BCF KiwiSaver Scheme").

If you are aged under 18, no contributions are required in order to join the BCF Scheme (unless you are employed and paying income tax), but:

- Some form of contribution is necessary in order to meet administration fees; and
- We can close a member's BCF Scheme Account if it has a nil balance.

Q11 Can I stop contributing?

If you are self-employed or not employed, you can stop (and resume) contributing at any time. If you are employed, you can take a "contributions holiday" (i.e. suspend your contributions) after contributing for 12 or more months, or if you are suffering financial hardship. A contributions holiday can be for any period between 3 months and 5 years. You will need to resume contributing at the end of the holiday unless you apply for a further holiday. There is no limit to the number of times you can take a contributions holiday.

Q12 What if I am already a KiwiSaver scheme member?

The KiwiSaver Act allows you to elect to transfer to the BCF Scheme so long as you meet the eligibility requirements (and to transfer, you don't have to be aged below 65). As you can only be a member of one KiwiSaver scheme at a time, if you choose to transfer then you must transfer your entire KiwiSaver account balance to the BCF Scheme (and you will then no longer be a member of your existing scheme). Your existing KiwiSaver scheme may charge you a transfer fee.

Q13 Is there any risk that I could lose money in the BCF Scheme?

Risk is inherent in all investments. None of the Trustee (Arotahi Trust Limited), the Government or anyone else guarantees that you will receive back the money invested for you in the BCF Scheme and there is no guarantee or promise of any particular rate of return on your investment.

Because your returns will be linked to the amounts in your BCF Scheme accounts when you receive benefit payments, and because those accounts will have earnings allocated to them at rates determined by the Trustee (and be debited with expenses and possibly investment losses) there is a risk that you will not fully recover the contributions made to the Scheme for your benefit. Possible reasons for this include those set out at page 13 of the Product Disclosure Statement (and in the 'Other Material Information' document available at www.bcfkiwisaver.co.nz).

Under current law, while you are aged 18 or more and you qualify:

- The first \$1,042 a year of your own contributions will entitle you to Government contributions at the rate of 50 cents per dollar of your contributions, up to a maximum Government contribution of \$521.43 per full year of KiwiSaver membership; and
- Your employer (if any) must contribute at the before tax rate of 3% of your salary or wages.

These incentives minimise the risk of you receiving less than your own contributions.

Q14 What will happen if I leave the Brethren community?

If you cease to break bread with the Brethren Christian Fellowship then we can transfer your BCF Scheme balance to a “Segregated Pool” in the Scheme, where it will be held separately from the assets held for other members (in the “Main Pool”). If we determine that you have ceased to break bread with the Fellowship then we must notify you of an intended transfer to the Segregated Pool, the implications of that transfer and your right to transfer to any other publicly offered KiwiSaver scheme.

The Segregated Pool (if required) will be held solely in bank deposits.

Q15 What are the charges?

The Administration Manager will deduct a monthly management fee from your balance. This fee will be based on the number of BCF Scheme members from time to time, reducing as numbers increase (see pages 14 and 15 of the Product Disclosure Statement). The management fee is currently \$4.17 per member per month (subject to an overall minimum fee of \$30,000 per calendar year). The fee will increase each year in line with CPI.

The Administration Manager can also be reimbursed for expenses reasonably incurred in providing its services to the BCF Scheme (and may be paid on a time cost basis for producing any special purpose information or giving consulting advice).

The Trustee does not charge any fees for its services, but seeks reimbursement from BCF Scheme assets for the expenses (such as legal and audit fees and investment costs) and liabilities which it incurs from time to time in acting as Trustee. The Trustee is also gradually recovering from BCF Scheme assets, by instalments over time, certain costs incurred in connection with the formation of the BCF Scheme. All KiwiSaver scheme fees are subject to “reasonable fees” restrictions prescribed in the KiwiSaver legislation.

Q16 What is the “PIE tax” regime?

The BCF Scheme is a PIE (portfolio investment entity). This means that members will only pay tax on their investment earnings from the Scheme at “PIE tax rates” of 10.5%, 17.5% or 28% depending on their own personal income levels in the last two completed income years (1 April to 31 March).

You must advise the Administration Manager of your IRD number and PIE tax rate when joining the Scheme (page 16 of the Product Disclosure Statement provides the necessary guidance). If you do not do both, then your PIE tax rate will be 28%.

Each year the income earned by the BCF Scheme on its investments will be attributed to you in proportion to your savings balance, and we will pay tax on that income at your PIE tax rate by deducting it from your balance.

If the BCF Scheme were not a PIE then all members would pay tax at the rate of 28% on all investment income.

Q17 Where can I get more information?

More information about the BCF Scheme is contained in the:

- KiwiSaver overview booklet; and
- Product Disclosure Statement (with application form at the back); and
- Other Material Information document.

Each of these has been prepared specially for the BCF Scheme.

If you have any remaining questions, please contact the Administration Manager either by phone at 0800 BCF INFO (0800 223 4636) or by email at bcfkiwisaver@mjlw.co.nz

If you need it, you can find more information at:

- www.kiwisaver.govt.nz (about KiwiSaver generally);
- www.sorted.org.nz (about saving and investing); and
- www.hnzc.co.nz (KiwiSaver HomeStart Grant).

The information contained in this publication was prepared on the basis of information available at the time of preparation. This publication provides general information only and should not be relied on in making decisions about KiwiSaver.

BCF KiwiSaver Scheme

c/o PO Box 5206
Terrace End
Palmerston North 4441
Tel: 0800 BCF INFO (223 4636)
Fax: 09 362 9821

bcfkiwisaver@mjlw.co.nz
www.bcfkiwisaver.co.nz
