

# **BCF KiwiSaver Scheme**

## **Statement of Investment Policy and Objectives**

31 August 2016

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## **1. Introduction**

### **1.1 Purpose**

This Statement of Investment Policy and Objectives (“SIPO”) applies to the BCF KiwiSaver Scheme (“the Scheme”).

The purpose of the SIPO is to document the Trustee’s investment policy and objectives for the Scheme, including:

- the nature or types of investments that can be made (and the limits on those);
- the limits on the proportions of each type of asset invested in; and
- the methods used for developing and amending the investment strategy and measuring performance against the Trustee’s objectives for the Scheme.

In addition the SIPO:

- details the investment objectives of the Scheme;
- specifies the investment strategy required to meet the investment objectives;
- sets out any constraints that need to be observed in relation to the investment management operations;
- specifies the terms of the investment mandates and constraints to be observed by the investment managers;
- sets out the process for reviewing the investment strategy and updating the SIPO; and
- details the process to follow in the event of a breach of the SIPO.

### **1.2 Review of the SIPO**

The SIPO will be reviewed every 3 years to assess its ongoing suitability in light of the circumstances of the Scheme and the prevailing economic environment, with the next review due in June 2019.

In the event of a major change to the purposes of the Scheme or a major event impacting the Scheme’s investments or investment strategy the Trustee may consider an earlier review. The review will be carried out by the Trustee in conjunction with the Scheme’s Investment Consultant.

The Trustee is responsible for approving and amending the SIPO. Changes to the SIPO will be made by resolution of the directors of the Trustee and the updated SIPO will be lodged as required by the Financial Markets Conduct Act 2013 (“FMCA”).

Once the Scheme is registered under the FMCA as a restricted KiwiSaver scheme, a copy of the current version of the SIPO will be available on the Scheme’s register entry at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose). It is also available for download on the Scheme’s website [www.bcfkiwisaver.co.nz](http://www.bcfkiwisaver.co.nz).

### **1.3 Trustee of the Scheme**

The Trustee of the Scheme is Arotahi Trust Limited.

The FMCA requires the Trustee to exercise the care, diligence and skill that a prudent person whose profession or business is (or includes) acting as a trustee or investing money on others' behalf would exercise in the same circumstances.

#### **1.4 Investment Managers**

As at the date of this SIPO the Trustee has not appointed an Investment manager but may do so in future.

#### **1.5 Scheme details**

The Scheme is designated as a restricted KiwiSaver scheme under the FMCA. The purpose of the Scheme is to provide retirement benefits directly to individuals in accordance with the FMCA and the KiwiSaver Act.

#### **1.6 Document history**

The initial SIPO for the Scheme was dated 13 September 2016 and took effect from the commencement of the Scheme.

Amendment Date	Purpose
13 September 2016	To issue a replacement SIPO which incorporates the changes necessary to ensure compliance with the FMCA and related legislation.

#### **1.7 Effective Date**

The SIPO is effective from 13 September 2016 until it is reviewed.

## **2. Background**

### **2.1 Key provisions**

The Scheme has been established to enable Brethren Members (as defined in the Scheme's Trust Deed dated 13 September 2016) to save for their retirement.

Employed members can choose to contribute an amount equal to 3%, 4% or 8% of their gross Salary or Wages. Those members' employers must contribute to the Scheme (under current legislation) at the before-tax rate of 3% of Salary or Wages.

Government contributions (called Member Tax Credits) of 50 cents for every dollar of member contribution are provided to the Scheme, up to a maximum Member Tax Credit of \$521.43 pa, while members are aged between 18 and the KiwiSaver end payment date (currently the later of attaining age 65 and completing 5 years' membership); and

Contributions are pooled with the investments of other Brethren Members and invested according to this SIPO.

### **2.2 Main Pool and Segregated Pool**

There are potentially two separate and distinct investment pools within the Scheme, as follows:

- the "Main Pool", which is intended solely for Brethren members; and
- the "Segregated Pool", which is intended primarily for any members who cease to break bread with the Brethren Christian Fellowship, as determined by the Trustee.

If assets are attributed to the Segregated Pool, then both it and the Main Pool will contain their own, separately identifiable, assets.

### **3. Investment Options**

#### **3.1 Main Pool**

As at the date of this SIPO:

- Brethren Members do not have any choice of investment options within the Main Pool.
- Until such time as the assets of the Scheme reach a certain minimum size (as determined by the Trustee) the Trustee shall continue investing the Main Pool's assets only in bank deposits.

However, once the assets of the Main Pool have reached a sufficient size (as determined by the Trustee):

- the Main Pool's investments may be diversified into other investment types. Initially, the diversification is expected to extend to investment in New Zealand Bonds, but at a later date it may also be extended to investments in other asset classes as set out in clause 4.2 below.

At a later date:

- the Trustee intends considering whether or not to provide members with a choice of investment options - namely a Balanced Investment Option (the default), a Conservative Investment Option and a Growth Investment Option.

#### **3.2 Segregated Pool**

Any balance in the Segregated Pool shall be invested in bank deposits only.

## **4. Investment Beliefs and Permitted Investments**

### **4.1 *Fundamental Investment Belief***

It is a fundamental investment belief of the Trustee that (except as may be necessary in connection with operating the Segregated Pool) the assets of the Scheme can be pooled only with the investments of other members of the Brethren Christian Fellowship. This means, for example:

- investments in securities which are listed on a recognised stock exchange (other than the Specific Permitted Investments specified below) shall not be permitted, as such securities can also be held by persons who are not members of the Brethren Christian Fellowship; and
- investments in pooled vehicles – such as unit trusts – shall not be permitted, unless all investors in the pooled vehicle are members of the Brethren Christian Fellowship.

The Trustee shall in its absolute discretion decide whether or not a particular investment is a permitted investment in terms of this clause. Other than this restriction there are no limits on the nature or type of investments that the Trustee may invest in on behalf of the Scheme.

### **4.2 *Specific Permitted Investments***

For the avoidance of doubt, the following investments shall be permitted:

- Deposits with banks that are registered under the Reserve Bank of New Zealand Act 1989;
- New Zealand Government Securities, including Treasury Bills;
- Debt securities issued by New Zealand local authorities;
- Investments in businesses owned by members of the Brethren Christian Fellowship; and
- Mortgages or loans to members or organisations within the Brethren Christian Fellowship.

### **4.3 *How these views are expressed***

The investment strategy of the Scheme has been developed in accordance with the above beliefs.

### **4.4 *Custody of investments***

The ownership of the assets of the Scheme shall be in the name of the Trustee itself.

### **4.5 *Investments of the Main Pool and the Segregated Pool to be separated***

The Main Pool and any Segregated Pool shall contain their own, separately identifiable, assets.

Comingling, for investment management purposes, of the assets of the Main Pool and the Segregated Pool shall not be permitted.



## **5. Main Pool – Investment Strategy**

### **5.1 *Investment Objectives***

The investment objective for the Main Pool is to provide relatively stable returns to members comparable (before tax, fees and expenses) to those available from investment in bank deposits.

### **5.2 *Benchmark Asset Allocation***

100% of the assets of the Balanced Portfolio shall be invested in the following investments:

- Deposits with a bank that is registered under the Reserve Bank of New Zealand Act 1989.

### **5.3 *Investments to be diversified***

To the extent practicable, investments shall be well diversified. In order to achieve this:

- the assets of the Scheme must be invested in deposits with at least four banks; and
- no more than 30% of the Scheme's assets shall be deposited with any one bank.

### **5.4 *Review of Investment Objectives and Benchmark Asset Allocation***

Once the assets of the Main Pool have reached a certain critical size (to be determined by the Trustee), it is the Trustee's intention to review both:

- the Investment strategy and Objectives for the Main Pool; and
- the Benchmark Asset Allocations and the associated Permitted Investments for the Main Pool.

## **6. Investment Managers**

### **6.1 *Trustee may appoint an investment manager***

The Trustee may, in its absolute discretion, delegate the investment of the assets of the Scheme to one or more investment managers.

At the date of this SIPO, however, the Trustee has decided not to make such an appointment, as the current strategy involves investing the Scheme's assets in bank deposits only.

### **6.2 *Investment manager restrictions***

If the Trustee decides to appoint an investment manager, the investment manager shall:

- invest the assets of the Scheme in accordance with Section 5 as amended from time to time;
- adhere to the investment restrictions contained in Section 4;
- provide reports to the Trustee and the Investment Consultant as required by the Trustee;
- provide information on changes in personnel; and
- attend Trustee directors' meetings when requested.

### **6.3 *Investment Consultant***

Melville Jessup Weaver is the Investment Consultant to the Scheme.

The responsibilities of the Investment Consultant are:

- to assist the Trustee in the regular review of the Scheme's investment objectives and strategy, including the SIPO;
- to provide advice on the investment mandates of the investment managers (if any);
- to assist the Trustee in the appointment of investment managers;
- to monitor the performance of any investment managers;
- to provide general advice to the Trustee on investment matters;
- to attend Trustee directors' meetings when required; and
- to provide the Trustee with such additional information as it may require from time to time.

## **7. Investment Monitoring**

### **7.1 Monitoring Compliance**

The Trustee monitors compliance with the SIPO, and the Scheme's performance against the investment objectives, over rolling *[six month]* periods, through the reporting provided to it by the administration manager. Compliance with this SIPO is formally reviewed by the Trustee at each Trustee meeting, based on that information. Any required changes to the SIPO will be made as outlined in paragraph 1.2.

In addition, if a limit break occurs, the Trustee will consider whether any action needs to be taken in respect of the break or whether any further compliance monitoring or assurance measures are required. The administration manager will provide all information required for the Trustee to make any required reports to the FMA. At that time the Trustee will consider whether any action needs to be taken in respect of the break, or whether any further compliance monitoring or assurance measures are required.

For the purposes of this SIPO, a "limit break" is any material breach of any limits on either the nature or type of investments that may be made by the Schemes or the proportion of each type of assets that may be invested in, as set out in this SIPO.

Whether or not a limit break is material is determined at the discretion of the Trustee. In considering whether or not a limit break is material, the Trustee will give consideration to:

- The nature of the breach; and
- The size of the breach.

### **7.2 Investment Performance Monitoring**

The investment performance objective of the Scheme is to provide a return which exceeds the return of the S&P / NZX 90 Day Bank Bill Gross Return Index over rolling one year periods.

Performance against this objective shall be monitored by the Trustee at each regular Trustee meeting.

### **7.3 Investment policies**

#### Rebalancing policy

The Trustee periodically monitors its investments to ensure that the Scheme's asset allocation does not fall outside the ranges set out in the SIPO. Where the Scheme's asset allocation investments fall outside the ranges the Trustee will consider whether any action needs to be taken and whether any further compliance monitoring or assurance measures are required.