

Other Material Information

New Zealand Fire Service Superannuation Scheme

Date: 28 September 2018

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1. General

This Other Material Information document (**Document**) has been prepared to meet the requirements of section 57(1)(b)(ii) of the Financial Markets Conduct Act 2013 (**FMC Act**) and clause 52 of Schedule 4 of the Financial Markets Conduct Regulations 2014 (**FMC Regulations**). All legislation referred to in this Document can be viewed at www.legislation.govt.nz.

In this Document, "you" or "your" refers to members or prospective members of the New Zealand Fire Service Superannuation Scheme (**Scheme**), as the case may be. "We", "us", "our" or "Trustee" refers to the Scheme's trustee.

Capitalised terms have the same meaning as in the Scheme's trust deed (**Trust Deed**), unless they are otherwise defined in this Document. Some terms are defined in the Document itself.

A product disclosure statement (**PDS**) for the offer of membership in the Scheme is also available. Under the FMC Act you must be given a copy of the relevant PDS before we can accept your application for membership. You can get an electronic copy of the PDS from the offer register on the Disclose website www.business.govt.nz/disclose/.

2. New Zealand Fire Service Superannuation Scheme

This Document relates to the offer of membership in the Scheme.

The Scheme is governed by the Trust Deed and is invested in accordance with the Scheme's statement of investment policies and objectives (**SIPO**). You can get an electronic copy of the Trust Deed and SIPO from the scheme register on the Disclose website www.business.govt.nz/disclose/.

The Trust Deed sets out the rules for the Scheme. This includes the rules for the appointment of trustees. The Trust Deed requires there to be seven individual trustees, unless the New Zealand Fire Service Commission (**Commission**) and the New Zealand Professional Firefighters Union Incorporated (**Union**) appoint a single corporate trustee. There is currently a single corporate trustee.

Where there is a single corporate trustee, the directors of the trustee are appointed as follows:

- Three directors are appointed by Commission.
- Three directors are appointed by the Union.
- One independent director is appointed by the other directors.

The board of directors of the sole corporate trustee must include at least one person who is a Licensed Independent Trustee under section 131 of the FMC Act. Currently, the Licensed Independent Trustee designated for the Scheme is Timothy McGuinness.

We are responsible for offering membership of the Scheme, accepting members into the Scheme, managing the Scheme's property and investments, and administering the Scheme.

We use the services of professional advisors such as investment advisors, administrators and auditors to help run the Scheme. The names of our advisors are listed in the annual report and on the website.

3. Persons and organisations involved

Trustee and directors

The current Trustee of the Scheme is FireSuper Trustee Limited.

The registered office of the Trustee is:

Level 2
20 Customhouse Quay
Wellington, 6011
New Zealand

The current directors of the Trustee are:

- Brett Warwick.

Brett has been CFO at FENZ since 1999. In addition to finance he has, at times, also been responsible for the organisation's risk and project management, business and strategic planning and its Procurement, Assets, ICT and Legal divisions.

- Angela Hauk-Willis.

Angela works in governance and consulting and has been a Board member of the New Zealand Fire Commission and subsequently of Fire and Emergency New Zealand from 2011 to 2018. She is a former Deputy Secretary of The Treasury.

- Geoff Taylor.

Geoff is a director and manager of Dairy Investment Fund Limited and TDB Advisory Limited. Dairy Investment Fund Limited is a specialized private equity vehicle in the Dairy Sector and has a range of investments in the Dairy Sector. TDB is a NZ corporate finance and economics advisory business involved in Funds Management, treasury, economic analysis and public policy. Geoff is a Fellow of the Institute of Finance Professionals of NZ.

- Boyd Raines.

Boyd was appointed a Trustee in December 2013 by the New Zealand Professional Firefighters Union and has completed the Workplace Savings NZ Trustee education programme.

- Denis Fitzmaurice.

Denis began his career with the Fire Service in 1980, having spent the previous five years in the banking industry. His Fire Service career involves 33 years as an operational Firefighter and Officer with the last two years seconded to a Black Watch role. He is a Life Member of the NZPFU, and formerly served as South Island President and as a member of the National Committee. Currently he is Chairman of Trustees of the Scheme and has been a Trustee since 2006.

- Stephen Warner.

Steve retired from the Fire Service in 2013 after 42 years in service. He is a Life Honorary Member of the New Zealand Professional Firefighters Union and served on the National Committee of the Union for 25 years, including two terms as National President. Steve was a trustee for 19 years and is a past Chairman, a position he held for 10 years. He was re-appointed as a trustee in 2015.

- Timothy McGuinness.

Tim has held trustee and director positions with substantial New Zealand based investment management organisations and funds for over 13 years and has an extensive specialist knowledge and experience built up through involvement with managing and administering investment funds for over 26 years. As well as being the Licensed Independent Trustee for the Fire Service Superannuation Scheme, he is also currently Chairman of Trustees of the Dairy Industry Superannuation Scheme and is a director of the trustee companies of the Police Superannuation Scheme, the Westpac NZ Staff Superannuation Scheme and the New Zealand Aluminium Smelter Superannuation Scheme. He is also a director of Unimed, a health insurer. He was on the Board of the Government Superannuation Fund Authority for 10 years (including 3 as Chair) and Board of the Earthquake Commission for 8 years. These positions followed senior funds management roles with Royal & SunAlliance and Norwich Union / State Insurance.

Secretary

The secretary of the Scheme is Mercer (N.Z.) Limited (**Secretary**). The Secretary provides secretarial services to the Scheme.

Administration Manager

The administration manager of the Scheme is Mercer (N.Z.) Limited (**Administration Manager**). The Administration Manager takes care of the day-to-day running of the Scheme. This, for example, includes maintaining records, paying benefits and liaising with the Scheme's advisors.

Investment Consultant

We have appointed Russell Investment Group Limited as an investment consultant (**Investment Consultant**). The Investment Consultant assists with the selection of fund managers and the development of the investment options.

Investment Managers

We engage managers for the different asset types. The managers who invest assets for the Scheme are:

- AMP Capital Investors:
 - Australasian shares via Salt Asset Management
 - International shares - manager of managers
- Direct Capital Partners:
 - New Zealand unlisted shares
- Harbour Asset Management:
 - Australasian shares
- ANZ Investments:
 - New Zealand cash and bonds
 - Global property via Resolution Capital
- Implemented Investment Solutions:
 - Global bonds via Russell Investment Group
 - Global listed infrastructure via First State Investments

4. Fees and expenses

The fees and charges for the Scheme recover only the expected costs and expenses that are incurred by us in running the Scheme and are deducted throughout the year at a level reflecting our best estimate of costs and expenses that will be incurred.

The actual fees charged may vary and will depend on the actual costs incurred by the Scheme.

Basis of estimates for fund charges in PDS

The annual fund charges include estimates for certain charges, including investment management charges and the costs and expenses associated with administering and operating the Fund. The determination of these charges is our best estimate of the fees to be payable by members, and is based on the expected investment management costs that will be payable in respect of the Scheme on the basis of the current strategic asset allocations for each investment option and the current range of fund managers employed by the Fund. The administration and operating costs are based on estimates provided by the Scheme's professional service providers and our own experience of the expected operating costs of the Fund.

The portion of these fees applicable to our investment management costs is included in the "fund charges" for which an estimate is provided in the PDS and that will be disclosed in the fund updates (once available) and on the register entry on the offer register for the Funds on the Disclose website at www.business.govt.nz/disclose/.

We estimate that these charges, as a percentage of the net asset value of each investment option, will be as set out in the PDS.

Examples of charges that constitute the fund charges

Administration Manager's fee

The Trustee pays the Administration Manager for the administration services it provides for the Scheme. The amount of this fee is agreed between the Trustee and Administration Manager from time to time and depends on the level of service provided. You can find out the Administration Manager's fee for the previous financial year by looking in the annual accounts for the Scheme.

Investment Consultant and fund managers' fees

Each investment option and the wholesale investment funds that those investment options invest into are managed by a range of fund managers. The Trustee also engages the Investment Consultant to assist in the selection of fund managers and the development of the investment options. The Trustee pays the Investment Consultant and each fund manager for the investment management services they provide to the Scheme. The amount of these fees is agreed between the Trustee and the Investment Consultant and each fund manager from time to time. The fees of a fund manager may depend on the performance of the investments managed by that fund manager. You can find out the investment expenses for the previous financial year by looking in the annual accounts for the Scheme.

Trustee fees and expenses

The Licensed Independent Trustee is paid for his role. The remuneration for this position is reviewed annually.

The directors of the Trustee are entitled to be reimbursed by the Trustee for all reasonable travelling, accommodation and other expenses incurred by the directors in connection with the directors' attendance at meetings or otherwise in connection with the Trustee's business. The Trustee is in turn entitled to be reimbursed by the Scheme for any reasonable expense incurred by it in the administration of the Scheme.

The amount of these fees and the limits on the reimbursement of expenses is determined from time to time. You can find out the Trustee's fees and expenses by looking in the annual accounts for the Scheme.

Secretary's remuneration

The Trustee contracts the Secretary to carry out the day to day management of the Scheme. The Secretary's remuneration for this management is reviewed annually.

Other fees and expenses

The Scheme pays other fees and expenses. These include fees for professional accounting, audit, tax and legal services as well as printing and stationery expenses. You can find out these fees and expenses by looking in the annual accounts for the Scheme.

5. More information about the Scheme

We outline below some more information and details about the Scheme, which includes some additional details not outlined in the PDS, that we believe is material to an investment in the Scheme. This information should be read in conjunction with the PDS.

Commission may stop contributing

The Commission can stop making contributions to the Regular Section of your Retirement Accumulation on 6 months' notice. The Commission can re-start making contributions at any time after that by agreement with the Trustee. You will be told if the Commission gives notice that it will stop making contributions or if it restarts making contributions. The Commission may not stop contributing to the Complying Fund Section of your Retirement Accumulation.

Complying fund section – contributions holiday

You can apply to the Trustee for a break from contributing to the Complying Fund Section of the Scheme (this is called a "contributions holiday") in the following circumstances:

- After your first contribution to the Complying Fund Section or another complying superannuation fund or KiwiSaver Scheme (but before 12 months following that date), you are suffering, or are likely to suffer, financial hardship, in which case the length of the contributions holiday will be three months (unless the Trustee agrees to a longer period); or
- 12 months have passed since your first contribution to the Complying Fund Section or another complying superannuation fund or KiwiSaver Scheme, in which case the length of the contributions holiday will be a minimum of

three months and a maximum of five years. No contributions holiday may be for less than three months unless the Trustee agrees.

You may apply for a new contributions holiday before the end of the current contributions holiday. There is no limit to the number of successive contributions holidays you can take.

A contributions holiday can be revoked or reinstated by you at any time by applying to the Trustee and the Commission to start or stop (as applicable) making deductions from your salary or wages.

If you take a contributions holiday from the Complying Fund Section, you will contribute to the Regular Section at the full 6% rate unless you have reduced or suspended your contributions to the Regular Section as outlined in the PDS. While you are on a contributions holiday, the Commission will direct all of its contributions (as adjusted for any reduction or suspension in your contributions) to the Regular Section of your Retirement Accumulation.

Relationship property and other claims

The Trustee may pay out amounts from your Retirement Accumulation where required by law or Court order. For example, the Trustee may pay out your former partner from your Retirement Accumulation as part of a Court ordered settlement of relationship property.

Hardship – Canterbury Earthquakes

If the Trustee is satisfied that:

- At the time of the Canterbury Earthquake of 2010 and aftershock of 2011, you were residing within the areas of Ashburton District Council, Christchurch City Council, Hurunui District Council, Selwyn District Council or Waimakariri District Council; and
- As a result of those earthquakes, in the period 4 September 2010 to 31 December 2011, you suffered destruction of, or damage to, your property, loss of employment or incurred costs (including costs associated with relocating to a new home or dealing with trauma); then

The Trustee may, in its discretion, pay you up to 50% of your Retirement Accumulation. If you contribute to the Complying Fund Section, this will be paid equally from the Regular Section and the Complying Fund Section of your Retirement Accumulation.

The Trustee may require you to provide information supporting your claim such as a statutory declaration of your assets and liabilities and evidence of loss of employment or costs that you have incurred.

No market

You cannot sell your Retirement Accumulation or your right to Benefits or use either of them as security for borrowing.

Taxation of the Scheme

The Scheme is a "widely-held superannuation fund" for tax purposes. As such, it pays tax on its taxable income (as determined by applicable law) at 28%. The Scheme may deduct the costs of developing, marketing, selling, promoting and advertising for members from its taxable income, provided certain requirements are met. The payment of tax from the Scheme will affect returns.

Generally, you do not pay tax on the Benefits you receive from the Scheme.

The Scheme is not a "Portfolio Investment Entity" or "PIE" for tax purposes. Currently, the Trustee does not propose to apply for the Scheme to become a Portfolio Investment Entity, but this could change in the future.

The Trustee accepts no responsibility for the tax implications of you joining the Scheme. 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. You should consult your own independent tax adviser before joining.

Reserve Fund B

The Scheme has a Reserve Fund B into which the Trustee pays any of the following amounts that are not specifically required or allocated for another purpose:

- Benefits foregone by members who have ceased to be eligible to contribute to the Scheme.
- Unclaimed benefits.
- Other money not required for the payment of benefits.

- Any contribution by the Commission pursuant to the fourth schedule of the Trust Deed required to top-up Reserve Fund B to ensure that there are sufficient funds to pay the minimum benefits provided for in the event of loss of medical fitness or loss of physical fitness or death. For more information about these benefits, please see the PDS.

The Trustee may use the Reserve Fund to pay benefits on hardship, death, loss of physical fitness Benefits, loss of medical fitness and in other circumstances (which will be paid on an equitable basis to all members) and to pay the expenses of administering the Scheme.

Returns

Your returns from the Scheme are paid to you as benefits. These are described in the PDS.

The key factors that determine your returns are:

- Contributions: how much you contribute, how much the Commission contributes and how much the Government contributes to your Retirement Accumulation
- The performance of your investment option(s).
- The amount of tax and expenses paid by the Scheme and the fees paid by you.
- How long you stay with the New Zealand Fire Service and your reasons for ceasing service.
- Whether you transfer amounts into or out of the Scheme.
- How much you withdraw from your Retirement Accumulation as benefits.
- How much the Trustee retains in or pay out from the Reserve Fund (discussed above).

No amount of returns is or has been promised to you. Returns from your choice of investment option(s) can be negative as well as positive.

The Trustee is the person who is legally liable to pay your benefits.

Currently, because the payment of your returns depends on when you become eligible for a benefit:

- Your returns are not quantifiable.
- The date(s) on which you will be paid your benefit is unknown.

Amendment to Trust Deed

The Trust Deed contains rules that govern the Scheme. The Trustee and the Commission can agree to amend the Trust Deed. However, they cannot make any amendment to the Trust Deed that:

- Reduces, postpones or otherwise adversely affects the Benefits that may in due course flow from, or are attributable to, membership of the Scheme up to the date the amendment is made; or
- Removes any right of the Scheme's members or other beneficiaries to participate in the management of the Scheme; or
- Increases the contributions, fees, or charges payable by any member; or
- Provides for the reversion of any assets of the Scheme to the Commission to any greater extent than already provided for in the Trust Deed

unless they get written consent from every member, and every other beneficiary who is in receipt of a benefit under the Scheme at the date the amendment is made, who would be adversely affected by the amendment.

The Trust Deed also prohibits amendments that would breach of section 84B of the State Sector Act 1988. Section 84B requires that:

- The Scheme provides that the sum of all benefits (including any lump sum payments, annuities, and other benefits) payable from the Scheme in respect of any member of the Scheme will not exceed the sum of:
 - Contributions paid by or on behalf of a member and investment earnings on the contributions; and
 - Any allocations to the member from surplus funds held within the Scheme; and
 - The amount paid in respect of that member from any insurance policy effected for the benefit of members of the Scheme; and
- The Trust Deed of the Scheme defines the rates or amounts (if any) of contributions of the Commission or officers or employees; and
- The Trust Deed of the Scheme entitles the Commission to cease contributing to the Scheme on behalf of a person if that person ceases to be an officer or employee of the Commission; and
- The benefits provided by the Scheme are fully funded as they accrue; and
- The Scheme enables withdrawing members to transfer to other superannuation schemes the value (as determined in accordance with the terms of the Scheme) of the benefits attributable to that person's membership of the Scheme up to the date of withdrawal; and
- The Scheme enables any person who becomes an officer or employee of the Commission, if the Commission agrees to contribute to the Scheme on that person's behalf, to become a member of the Scheme and to transfer to the Scheme the value of the Benefits attributable to that person's membership of other superannuation schemes; and
- The Trust Deed of the Scheme does not permit amendments to be made to the Scheme that would result in any provision above ceasing to apply to the Scheme.

Amendments must also be made in accordance with the requirements of the FMC Act.

Indemnity provided to the Trustee

Under the Trust Deed, except in the case of dishonesty, the wilful commission of an act known to be a breach of trust or the wilful omission of an act when such omission would result in a breach of trust, the Trustee shall be indemnified to the extent of the assets of the Scheme held by it against all liabilities incurred by it in the execution or attempted execution or arising from the non-execution of the trusts, authorities, powers and discretions it has under the Trust Deed and shall have a lien on and may use any moneys for the time being in its hands for this indemnity and generally for the payment of all proper legal and other costs of administration or winding up the Scheme and otherwise performing its duties under the Trust Deed.

6. Conflicts of Interest

We describe the nature of the conflicts of interest that currently exist, or are likely to arise in the future, for the Scheme, and the steps that have been (or will be) taken to manage these conflicts.

A conflict of interest means a financial or any other interest, a relationship, or any other association of the Trustee (as trustee of the Scheme), or AMP Capital Investors (New Zealand) Limited (**AMP**) and ANZ New Zealand Investments Limited (**ANZ**) (as investment managers for the Scheme appointed under investment management agreements), or of a 'relevant person' that would, or could reasonably be expected to, materially influence the investment decisions of the Trustee, AMP, or ANZ (or any or all) in respect of the Scheme.

A 'relevant person' means –

- a director of the Trustee; or
- a senior manager of the Trustee; or
- an employee of the Trustee who has a significant impact on the investment decisions that are made in respect of the Scheme; or
- an associated person of the Trustee (or a director or senior manager of that associated person).

The Trustee does not currently have any employees.

Details of conflicts of interest that currently exist, or are likely to arise in the future, are as follows:

<i>Nature of the conflict</i>	<i>Funds affected</i>	<i>When and how this would or could reasonably be expected to materially influence investment decisions in respect of the Scheme</i>
AMP has been appointed as an investment manager for the Scheme. AMP may invest in funds managed by related parties in the future and fees may be payable to such related parties.	Growth, Balanced, and Conservative	AMP may be influenced by its association with related parties to invest in funds managed by related parties to maximise fees payable to such parties.
ANZ has been appointed as an investment manager for the Scheme. ANZ may invest in funds managed by related parties in the future and fees may be payable to such related parties.	All funds	ANZ may be influenced by its association with related parties to invest in funds managed by related parties to maximise fees payable to such parties.
Directors of the Trustee may be members of the Scheme from time to time.	All funds	Decisions made by affected directors may be influenced by their personal interest in the Scheme.

The steps that have been taken, or will be taken, to manage the conflicts of interest are as follows:

- Any specific conflicts of interest are managed as they arise. If a conflict arises, the process for managing the conflict will entail identifying and recording the conflict, assessing the conflict and taking appropriate measures, if necessary, to manage the conflict. In the case of directors, this could involve the director standing aside from any decisions related to the conflict.
- The particular investments of the Scheme must be made in accordance with and within the limits set out in the SIPO (including strategic asset allocations), which is set by the Trustee. As such, AMP and ANZ do not exercise inappropriate influence over investment of the Scheme.
- The Trustee receives appropriate reporting in respect of the investments of the Scheme and monitors the investments.

7. Material contracts

The following is summary of the contracts that we consider to be material in relation to the Scheme.

Trust Deed

The Scheme is governed by the Trust Deed. The Trust Deed is a contract between the Trustee and the Commission for the benefit of members. Under the Trust Deed the Trustee is the manager of the Scheme and is responsible for offering membership of the Scheme, accepting members into the Scheme, managing the Scheme's property and investments, and administering the Scheme. You can get an electronic copy of the Trust Deed from the offer register on the Disclose website www.business.govt.nz/disclose/.

Secretarial Services Agreement

The Trustee and the Secretary are parties to a secretarial services agreement effective 1 August 2015 (**Secretarial Services Agreement**).

Under the Secretarial Services Agreement, the Trustee appointed the Secretary to provide secretarial services to the Trustee. These services relate to liaison and communication, trustee meetings, documentation and filing, support services, and financial matters.

The Secretary must provide the services and perform its obligations with the professional skill and expertise which the Secretary has held itself out as possessing and with the same degree of care and diligence as can reasonably be expected of a professional superannuation secretarial services provider.

Fees are payable to the Secretary under the Secretarial Services Agreement.

Administration Agreement

The Trustee and Mercer (N.Z.) Limited (**Mercer**) are parties to a superannuation administration services agreement dated 30 November 2007 (as amended from time to time) (**Administration Agreement**).

Under the Administration Agreement, the Trustee appoints Mercer as administrator to provide certain specified administration services in respect of the Scheme. These services include services relating to data management, cash management, reporting, annual review, member enquiries, and trustee meetings.

Mercer must provide the services honestly, in good faith and with the same degree of care, skill and diligence expected of a prudent, skilled, experienced, and professional superannuation administration services provider, including providing the services to the standard and as otherwise required under any relevant law.

Mercer may, with the prior written consent of the Trustee, subcontract the performance of any part of the services, but Mercer will remain fully responsible for the performance of the services which have been subcontracted. Mercer must ensure it is satisfied the person it appoints is capable of performing the Services at least to the standard required of Mercer. Mercer must also monitor the performance of the function by the sub-delegate and review that sub-delegation at a frequency appropriate to the risk involved.

The Trustee has indemnified Mercer against any loss or liability arising directly as a result of or in connection with any negligence, wilful or unlawful act or omission by the Trustee or any breach of any obligation under this Agreement in any material respect. Mercer will take such action as may be reasonably required so as to mitigate liability. However, the preceding indemnity does not apply where the loss or liability is caused or contributed to by wilful default, tortious acts or omissions of Mercer, its directors, officers, agents or employees.

Fees are payable to Mercer under the Administration Agreement.

Consulting Agreement

The Trustee, the Investment Consultant, and Russell Investment Group Pty Limited are parties to a consulting agreement dated 5 July 2012 (as amended from time to time) (**Consulting Agreement**). Under the Consulting Agreement, the Investment Consultant was appointed to provide certain consulting services associated with the management and investment of the assets of the Scheme.

Russell Investment Group Pty Limited has guaranteed the due and punctual performance by the Investment Consultant of all the terms and conditions of the Consulting Agreement.

Fees are payable to the Investment Consultant under the Consulting Agreement.

8. Market Indices

More information about the market indices referred to in the SIPO and in the fund updates for the investment options can be found on the following websites:

Barclays Global Aggregate Indices: <https://index.barcap.com/>

S&P/NZX Indices: <http://us.spindices.com/regional-exposure/asia-pacific/new-zealand>

MSCI Indices: <https://www.msci.com/indexes>

FTSE Indices: <http://www.ftse.com/products/indices>

S&P Global Infrastructure Index: <http://us.spindices.com/indices/equity/sp-global-infrastructure-index>