

2 Minutes on Super

NEWS, REMINDERS AND TIPS ABOUT YOUR SAVINGS

JUNE 2019



PIE status will benefit some members

Portfolio investment entity (PIE) is a complex term for a simple concept. A PIE is a type of investment vehicle in which investment earnings accruing to an individual investor are taxed at a rate based on the annual income of that investor. PSS will become a PIE from the end of June 2019. As a PIE, we will be able to tax investment earnings for some members at a rate lower than the current 28% flat rate. The change will potentially benefit part-time staff on lower incomes and make PSS a more attractive investment for retained members (members who have left Police but retained their savings in the scheme). For most contributing members, however, there will be no change. This is because the top PIE tax rate (called a prescribed investor rate or PIR) is 28% if your taxable income was over \$48,000 in both of the previous two income years. If you qualify for a lower tax rate, you will need to fill in a form to let us know your PIR. This form is available on the website and shows which PIR is applicable to various income brackets. If you don't let us know your PIR, your investment earnings will be taxed at the default rate (currently 28%).

[Download a Confirmation of tax rate \(PIR\) form](#)

First-home benefit popular

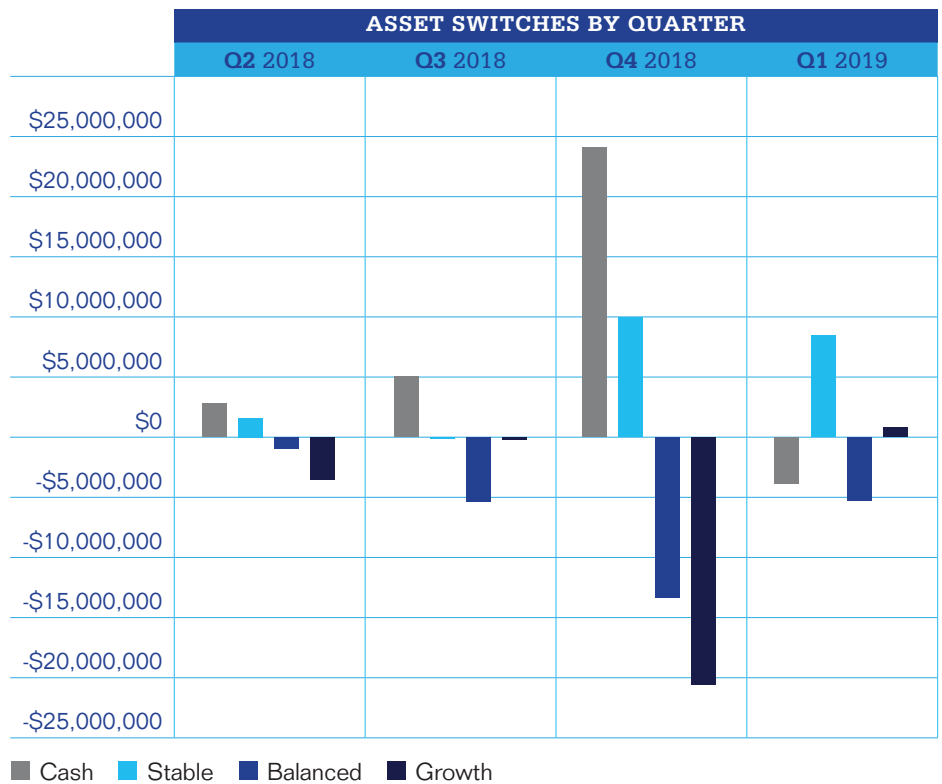
Our first-home withdrawal facility has been in place since 1 March this year. As of mid-May, 81 members have taken advantage of this new benefit, which mirrors the first-home withdrawal facility available to KiwiSaver members. As with KiwiSaver, you may still be eligible to make a withdrawal if you have owned a home previously but your financial position in terms of assets and liabilities – what you own versus what you owe – is what would be expected of a person who has never owned a home. If you have a registered charge against your account, it's a good idea to talk to your lender before you apply as the amount available could be reduced. You can read more about eligibility and how to access this benefit on the website. We've also put together a short video explaining your options for using PSS funds towards the purchase of a home.



[View the first-home withdrawal video](#)

The perils of trying to time the market

This graph shows a significant outflow of funds from Growth and Balanced into Stable and Cash in the December 2018 quarter. Many of these switches will have been from members reacting to the drop in share market prices over that period. The first quarter of 2019 saw a significant rebound in prices, and members who had switched funds will have missed out on the opportunity to recoup their losses over the previous quarter. These market movements serve to highlight the risk of trying to time the market. This quote from renowned US investor Warren Buffett is appropriate: "People that think they can predict the short-term movement of the stock market – or listen to other people who talk about [timing the market] – they are making a big mistake." It's a good idea review to your investment choice from time to time, just not simply in response to significant market adjustments.



Assess your options using our [risk profiler](#)

New director joins the board



Sarah Graydon joined the board of PSS Trustees Ltd, the manager and trustee of the PSS, on 1 June. Sarah is an experienced lawyer who has worked in a number of areas and predominantly in corporate roles. She headed up the legal team at New Zealand Post for 8 years and now works with Juno Legal providing advisory, coaching and legal services centred on in-house legal functions. Sarah's governance experience spans superannuation, health and education. She is a licensed independent trustee and currently holds positions with three other superannuation schemes as well as PSS.

Further weapons exclusions

In light of the recent shocking events in Christchurch and in line with the sentiment of government legislation, we have decided that our portfolios should exclude investments in manufacturers and retailers of semi-automatic and military style firearms for civilian use. This exclusion will result in one small change to the investment portfolio with no material effect on returns. Our portfolios already exclude investments in companies involved in the manufacture of tobacco products or activities prohibited by New Zealand legislation. These include the manufacture of cluster munitions, anti-personnel mines and nuclear explosive devices.

Mercer joins social media action group

Following the Christchurch attacks, our investment manager Mercer signed up to an initiative spearheaded by the New Zealand Superannuation Fund aimed at putting pressure on social media companies to address weaknesses in their platforms that allow the streaming and sharing of objectionable material. Subsequently, the group pledged its support to the **Christchurch Call**, which sets out voluntary commitments for governments, companies and wider society to work together to eliminate terrorist and violent extremist content online. Launched on 15 May 2019 as part of the **Tech for Humanity** meetings in Paris, the **Christchurch Call** is an initiative of Prime Minister Jacinda Ardern and President Emmanuel Macron. Supporting the initiative will have no impact on the scheme in terms of cost or returns – we believe it is important in terms of its potential for positive social change.

Read the [latest media release](#)

Hedging policy

Hedging is a tool used to reduce the effects of changes in exchange rates on investment returns. Until now, we have hedged all exposures to foreign currencies back to New Zealand dollars. However, having received advice that some exposure to foreign currencies will not materially change expected returns nor the volatility of those returns – and to be more aligned with comparable KiwiSaver funds – we have decided to reduce the hedge on international equities to 50% (net of tax) as the inclusion of some exposure to foreign currencies will bring additional risk diversification.

Capital gains tax off the table

Last newsletter, we covered the release of the Tax Working Group's final report. Its central recommendation was a capital gains tax that would potentially impact on the tax treatment of the assets of retirement savings schemes. The government determined that New Zealanders had no appetite for such a tax, and the idea has been taken off the table. The budget presented by the government in late May included no proposed changes to the way investment returns from superannuation schemes are taxed.

Proof of bank details required for benefit payments

We can only pay benefits into an account in your name. This means we cannot pay benefits into family trust accounts, business accounts and accounts in someone else's name. That's why we need to ask for supporting evidence of your bank account details when you make a withdrawal, and it also helps to prevent a slip-up in transcribing your account number. This evidence needs to show the name the account is in and the bank account number. The simplest way is to take a screenshot from your internet banking or photocopy the top of a bank statement or ask your bank to print and sign a verification of account slip. Once Mercer has this information on file, you won't need to provide it again unless you change your account. This extra step is designed to help protect members against fraud. It's also required by our auditor.

Latest returns

Unit prices are updated on the website each business day. Each month, we also post returns based on the change in unit prices over a given period expressed as a percentage. This provides another way for you to follow the performance of your investment. Our investment manager Mercer prepares regular market updates, which we post on the website each month under 'Latest returns'.

[See the latest returns](#)



Got a question?

policiesuper.co.nz

You'll find plenty of information about the PSS and your membership online. Our website is optimised for mobile phones and tablets and has lots of features to help you manage your super.

0800 PSSHEME (0800 777 243)

The helpline hours are 9.00am to 7.00pm, Monday to Friday (except public holidays).