



Other
material
information

Police Superannuation Scheme

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1 | General

This other material information 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. All legislation referred to in this document can be viewed at legislation.govt.nz.

In this document, 'you' or 'your' refers to members or prospective members of the Police 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 dated 12 September 2016, effective 28 June 2019 (**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. A member booklet has also been prepared that includes other material information relating to the scheme (**member booklet**). You can get an electronic copy of the PDS and the member booklet from the offer register on the New Zealand Companies Office Disclose Register at disclose-register.companiesoffice.govt.nz.

2 | Police 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 Policy and Objectives* (**SIPO**). You can get an electronic copy of the trust deed and SIPO from our website or the scheme register on the New Zealand Companies Office Disclose Register at disclose-register.companiesoffice.govt.nz.

The trust deed sets out the rules for the scheme. The Commissioner of Police (**Commissioner**) and the New Zealand Police Association Incorporated and the New Zealand Police Leaders' Guild Incorporated (**Police Service Organisations**) have appointed a single corporate trustee, PSS Trustees Limited, to manage the scheme.

The directors of the trustee are appointed as follows:

- Two directors are appointed by the Commissioner.
- Two directors are appointed by the Police Service Organisations.
- Either one or two independent directors are appointed by the other directors (unless agreement on the appointment of a director is not made within a reasonable time, in which case, the Commissioner has the power to make the appointment).

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 Board of Directors includes three licensed independent trustees (Charlie Cahn, Sarah Graydon and Ian Russon). Currently, the licensed independent trustee designated for the scheme is Ian Russon.

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 advisers such as investment advisers, administrators and auditors to help run the scheme. The names of our advisers are listed in the annual report and on the website.

3 | Persons and organisations involved

Trustee and directors

The scheme's current trustee is PSS Trustees Limited.

The current directors of the trustee are:

- Charles Bertram Cahn of Wellington
- Gregory John Fleming of Wellington
- Sarah Louise Graydon of Wellington
- Ian Howard Russon of Wellington
- Sandra Maree Venables of Wellington.

Charlie Cahn (Chair)

BSc, FIAA, FNZSA

Professional director

Charlie is a consultant and actuary with over 20 years' experience in superannuation and investments as a trustee and adviser. Over that period, he has advised trustees on all aspects of superannuation, including funding, scheme design and investment strategy, and has also held a number of trustee roles. He is currently a self-employed consultant. This follows a career most recently with PwC and, before that, Jacques Martin, which was then a specialist superannuation provider. Charlie is the longest-serving director of the PSS, appointed in 1994. He is also a director of the trustee company of the Methodist Church of New Zealand Supernumerary Fund.

Greg Fleming

BCA, Dip IR

Director (appointed by the Police Service Organisations)

Greg is the Police Association Industrial Advocate and National Secretary. He was the Association's chief negotiator during the establishment of the Police Superannuation Scheme in 1992 and for subsequent enhancements. Greg was appointed as a trustee in 1996. He chairs the scheme's communications subcommittee.

Sarah Graydon

BA, LLB (Hons)

Professional director (appointed by the Commissioner)

Sarah is an experienced lawyer who has worked in a number of areas and predominantly in in-house 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.

Ian Russon

BA Hons

Professional director (appointed by the Police Service Organisations) and licensed independent trustee

Ian has had a long career in the financial services industry. Following periods working in the UK, Canada, Hong Kong and Germany, he joined the Financial Markets Department of the Reserve Bank of New Zealand in 1995 and held various management positions focusing on foreign exchange reserves management and monetary policy implementation.

In 2002, Ian joined Bank of New Zealand and, for the majority of his time at the bank, was Head of Financial Institutions & Public Sector. Ian also served as a scheme participant elected member of the board of management of the Bank of New Zealand Officers' Provident Association – the staff retirement savings scheme.

In 2017, Ian resigned from the bank to work as a professional director. In addition to his role with PSS Trustees Limited, he is chair of UniSaver Limited and Implemented Investment Solutions Limited and a director of The Salvation Army of New Zealand Officers' Superannuation Scheme Nominee Limited and Presbyterian Beneficiary Fund Trustee Limited.

Sandra Venables

Director (appointed by the Commissioner)

The Commissioner appointed Assistant Commissioner Sandra Venables as his representative on the board of PSS Trustees Limited in September 2019. In 2017, Sandra was the first female officer to be appointed to the rank of Assistant Commissioner and moved to Wellington to be based at Police National Headquarters. She leads Road Policing and Prevention which includes the portfolios for Mental Health, Alcohol Harm, Family Violence and Youth. Sandra has been a police officer since February 1994 and served as a frontline officer in Hamilton, Kaitaia, Whitianga and Thames-Coromandel. She was the Area Commander in Eastern Bay of Plenty based in Whakatāne for 3 and a half years before being promoted to District Commander in Eastern District which included Tairāwhiti and Hawkes Bay. Sandra had the privilege of being the Security Liaison Officer for the 2014 ANZAC Commemorations in Gallipoli and was the Commissioner's representative for the visit in 2018 of the Duke and Duchess of Sussex.

Secretary

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

Administration manager

Mercer is also the scheme's administration manager. The administration manager takes care of the day-to-day running of the scheme, including maintaining records, paying benefits and liaising with the scheme's advisers.

Investment management

We invest the assets of the scheme directly in Mercer Investment Trusts New Zealand (**MITNZ**). The trustee of MITNZ uses the services of specialist investment managers to invest the assets of the scheme. These managers are listed on our website.

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. An adjustment is made following the annual review date each year in the event our best estimates were incorrect.

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

Basis of estimates for fund charges in the PDS

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 and on the register entry on the offer register for the funds on the New Zealand Companies Office Disclose website disclose-register.companiesoffice.govt.nz.

The annual fund charges include estimates for certain charges, including investment management charges. The determination of these charges is our best estimate of the fees to be payable by members and is based on the historical investment management costs that were payable in respect of the scheme, making appropriate adjustments in the event that matters may change from year to year that impact on expected charges (such as changes in strategic asset allocations or investment managers). These estimates are also based on estimates provided by the scheme's professional service providers and our own experience.

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.

5 | Conflicts of interest

Below 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 Mercer (as investment manager for the scheme) or of a 'relevant person' that would or could reasonably be expected to materially influence the investment decisions of the trustee or Mercer (or both) 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:

Nature of the conflict	Funds affected	When and how this would or could reasonably be expected to materially influence investment decisions in respect of the scheme
<p>The trustee invests the scheme's assets in Mercer Investment Trusts New Zealand (MITNZ).</p> <p>Mercer is the manager of MITNZ. Mercer is involved in the appointment of the investment managers and investment structures of MITNZ, which may include funds managed by Mercer entities.</p> <p>In its capacity as investment manager of the scheme, Mercer is responsible for managing the scheme's investments in MITNZ in accordance with certain set limitations and restrictions set by the trustee.</p>	All funds	<p>Mercer may be influenced to exercise its discretions in a way that results in Mercer entities receiving fees greater than what would otherwise be received.</p> <p>For example, Mercer, in its capacity as manager of MITNZ, may appoint investment managers and investment structures of MITNZ to which the scheme has exposure that have higher fees payable to Mercer entities than would otherwise be the case.</p> <p>Also, Mercer, in its capacity as investment manager of the scheme, may make decisions in respect of the investment of the scheme's assets that result in investments in MITNZ that result in higher fees payable to Mercer entities than would otherwise be the case.</p>
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 are set by the trustee. As such, Mercer does 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 investment in MITNZ.

6 | Material contracts

The following is a 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 Commissioner 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 our website or the offer register on the New Zealand Companies Office Disclose Register at disclose-register.companiesoffice.govt.nz.

Secretarial services agreement

The trustee and Mercer are parties to a secretarial services agreement effective 24 July 2019 (**secretarial services agreement**).

Under the secretarial services agreement, the trustee appoints Mercer to provide secretarial services in respect of the scheme. These services include provider management, services to members of the scheme, contract management, monitoring of legislation and general services to the trustee.

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

Fees are payable to Mercer under the secretarial services agreement.

Administration agreement

The trustee and Mercer are parties to a superannuation administration services agreement effective 30 November 2019 (**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, benefit calculations and payments, reporting, annual review, scheme and 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 that 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 subdelegate and review that subdelegation 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.

Asset consultant agreement

By letter dated 19 March 2003 (countersigned by the trustees on 15 April 2003), Frank Russell Company (NZ) Limited (now known as Russell Investment Group Limited) (**Russell**) was appointed as asset consultant to the trustees in respect of the scheme (**asset consultant agreement**). The services Russell provides include providing advice relating to formulating asset allocation strategy, determining appropriate investment manager structures, selecting and appointing managers, writing investment guidelines and mandates and rebalancing policies. Russell also provides manager monitoring, research and review, quarterly reporting and analysis of portfolio review and quarterly presentations to the trustee. Fees are payable to Russell under the asset consultant agreement.

Strategic tilting agreement

By letter dated 8 June 2011, the trustees appointed Russell to provide strategic tilting advice and associated reporting to the scheme (**strategic tilting agreement**).

On occasion and within specified ranges, our advisers may temporarily move away from the benchmark asset allocations. This approach, known as strategic tilting, is only used if the advisers believe that markets are significantly out of line with long-term risk and return expectations.

Fees are payable to Russell under the strategic tilting agreement.

Investment management agreement

The trustee has appointed Mercer under an engagement letter to provide certain investment management services to the trustee in respect of the scheme. These include services relating to investment management, investment reporting and maintaining an advisory committee. Fees are payable to Mercer. Mercer will, when providing the services, act at all times honestly and in a competent, timely and efficient manner and with the standard of skill, diligence and care that would be expected of a prudent, professional person providing similar services in the same circumstances, including providing the services to the standard and as otherwise required by an investment manager under the FMC Act.

7 | 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:

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

MSCI Indices: msci.com/index-solutions

FTSE Indices: ftse.com/products/indices

Bloomberg Indices: bloombergindices.com

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

HFRI Indices: hedgefundresearch.com/family-indices/hfri