



## Koinonia Fund receives highest possible ratings from IRD

As part of being a KiwiSaver Scheme Provider, the Pension Board is required to participate in an annual service review with Inland Revenue. This review has recently been conducted. The Board and the Koinonia Fund received the highest ratings, achieving the green status ("No outstanding issues impacting the quality of service") for every area reviewed by Inland Revenue.

### Comments from Inland Revenue:

On the changes to the electronic data transmission system:

*"The Pension Board has to date delivered to deadlines with the most recent update to the B2B functionality implemented by the required date. Inland Revenue would like to acknowledge the committed and professional approach that the Anglican Church Pension Board has displayed throughout the change programme."*

On incident resolution and formal complaints:

*"No incidents have been logged by the Board over the last 10 months"*

*"To date there have been no formal complaints recorded on IR's Complaints Management System in relation to the Koinonia Fund or the Anglican Church Pension Board."*

On using the KiwiSaver logo

*"It is clear that the Pension Board takes compliance with the KiwiSaver Brand Guidelines seriously, which is recognised and very much appreciated."*

## The new face of KiwiSaver

April 1st has come and gone and the changes of the National government to KiwiSaver are in place. How do these changes affect you as a member? A summary is provided here. The official changes can be viewed on the IRD KiwiSaver website.

### Existing KiwiSaver members

- The member tax credit up to \$1043 a year remains unchanged.
- The \$40 per annum fee subsidy has been removed.
- The minimum employee contribution rate has dropped to 2%. Members must notify their employer if they wish to change their contribution rate. If a member earns less than \$52,150 a year they will not qualify for the full member tax credit on the 2% contribution rate.
- Employer contributions are now paid tax free only up to a maximum of 2% of salary or wages.
- No changes have been made to the contribution holiday or mortgage diversion portion of KiwiSaver.

### New KiwiSaver members

- No changes have been made to compulsory enrolments or the opting out period.
- New members will receive the \$1,000 kick-start payment.
- New members WILL NOT receive a fee subsidy.
- New members can receive member tax credits of up to \$1043 a year.
- The minimum employee contribution rate has dropped to 2%, but members may elect to pay 4% or 8% of their salary.
- New members qualify for mortgage diversion and contribution holidays after a year of contributing to KiwiSaver.

### Employers

- Employers must contribute 2% of their employees salary or wages of members who join KiwiSaver. This rate is capped and will not increase beyond 2% in upcoming years.
- Employers WILL NOT receive a matching tax credit (ETC) for their employer contributions.

# Investments - Just what is going on?

## What is happening?

You will have noticed if you follow the news, the global financial system is under enormous stress, and this is spilling over to have big implications for the 'real economy' where ordinary people work, consume and save for their retirement. In broad terms, we (being western consumers, but especially in the US and UK) have borrowed too much and saved too little. The financial system (banks and other financial institutions) have lent us lots of money, but in recent years the lending has outstripped our ability to repay. There has been a lot of lending of poor quality, but this has not mattered so much when asset prices (e.g. houses and investments) were rising. This virtuous cycle of rising asset prices which rendered the corresponding lending 'affordable', became unsustainable, and appears to have now reached its end.

Once loan defaults start to happen and asset price increases slow or reverse, the virtuous cycle reverses and the results can be as grim as the upward spiral was fun! Debt (loans or borrowing) becomes harder to obtain. Some financial institutions have failed and some sources of finance have ceased. The lending these sources provided is no longer available. Assets need to be sold to reduce borrowings. But if asset prices are now falling it becomes harder to raise funds from sales to repay debt.

We are in the midst of a process of adjustment which is taking time.

## Are we there yet?

Probably not. There is still much debate about how long or deep the current recession will be, and how long recovery will take, and indeed what a recovery will look like when it occurs. It is very unlikely there will be a return to 'business as usual' as it was before this current crisis.

## What will the consequences be?

This process of adjustment looks likely to change capitalism in fundamental ways and is redefining relationships between business and governments, lenders and borrowers, taxpayers and the private sector, and so on. Either inflation, or its opposite and more destructive counter part, deflation, could result.

Many are waking up to the need to reduce consumption and either repay debt or increase savings.

Housing no longer looks such a safe savings bet as it did. Job security is threatened which also makes consumers more cautious, and this provides an added impetus to savings. Asset price increases alone look less likely to provide our savings in future – saving now means forgoing consumption (shock, horror!), and we can no longer be as assured that money borrowed will be easy to repay from rising incomes and increased asset values.

## What about the Koinonia Fund?

The Koinonia Fund, as a KiwiSaver scheme, continues to provide an effective means of saving for retirement. The Trustees and the Investment Committee are working hard to protect the fund from the worst of the global meltdown, but returns will be affected.

The Fund remains robust and is able to meet its commitments as these fall due, but in the current environment providing positive returns is very challenging.

The Trustees continue to adopt a relatively conservative stance, while respecting member choices about how the investment pools are invested, and are looking to position the fund to benefit from the new investment environment that seems likely to emerge from the current turmoil.

## Financial end of year

The financial year for the Koinonia Fund ended on 31 March. The financial year and the KiwiSaver year do not correspond though.

The KiwiSaver contribution year ends 30 June. All top ups to accounts in order to qualify for the full member tax credit of \$1043 need to be in this office in time for processing before 30 June.

If you are unsure of your contribution amounts so far this year you can access your account details online at the Koinonia Fund website and also on the IRD website.

## Fund performance

At 31 March 2009

| Fund Pre-tax Returns  | 3 months | 6 months | 12 months |
|-----------------------|----------|----------|-----------|
| Koinonia Conservative | -0.3%    | -1.2%    | -1.6%     |
| Koinonia Balanced     | -2.4%    | -6.6%    | -10.2%    |
| Koinonia Growth       | -3.7%    | -10.4%   | -16.1%    |

These investment returns **include** investment expenses. They **exclude** taxation, fund administration expenses, kick-starts, fee subsidies, member tax credits and crown interest. All returns are **provisional**.

## Mortgage diversion update

If you are using mortgage diversion and you:

- change KiwiSaver providers;
- wish to alter your Mortgage Diversion contribution level;
- want to cancel Mortgage Diversion;
- move or sell your house;
- put your home into a family trust or company such as a Loss Attributing Qualifying Company (LAQC);
- take a contributions holiday or stop working;
- change lenders;
- want to change the loan your Mortgage Diversion payment goes to;

then you will need to notify both your lender and the Koinonia Fund.

Most of these cases will require your Mortgage Diversion to be cancelled and a new one set up. There could be additional charges involved.

## Are you throwing money away?

There are currently 60 members of the Koinonia Fund who will not be receiving their tax credit from the government.

They have not supplied proof of residence which is a requirement to receive the government monies. The Koinonia Fund cannot apply for your tax credit without it.

If you are not sure if you have provided proof of residence contact the office and we can check your files.

Don't miss out on the money available to you.

For further information, please contact:

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**KiwiSaver**<sup>™</sup>  
*Poua he Oranga*

