INSIDE KOINONIA

MAY 2011

Returns

It was a good year for the Koinonia Fund's investments.

For the year ended 31 March 2011 the investment returns were:

Growth Pool	9.1% p.a.
Balanced Pool	8.1% p.a.
Conservative Pool	6.1% p.a.

These returns are after investment expenses but before administration expenses and tax. The final after tax rates for each Pool will be declared once the Koinonia Fund has been audited. The current interim after tax rates are displayed on the website.

The returns declared by the Trustees and attributed to member accounts at each year end are the actual returns earned after tax and expenses. There are no hidden transaction costs or fees. The Trustees do not use unit pricing to allocate investment earnings to members. Instead the declared return at year end is distributed using the daily balance method, just like how a bank allocates interest on a savings account. The return is calculated on a money weighted basis. So the return takes into account how much money was invested and when it was invested during the year.

Quarterly investment reports are available on the website (www.koinoniafund.org.nz).

Hardship withdrawals for Christchurch earthquake

The Government has announced temporary changes to the significant financial hardship rules to add the Christchurch earthquake on 22 February 2011 to the list of circumstances that can be considered by the Trustees. Under the changes, any qualifying resident of Canterbury at the time of the earthquake is entitled to refer to the following circumstances when applying for a significant financial hardship withdrawal:

- The destruction or damage of property as a result of the earthquake.
- The loss of employment as a result of the earthquake.
- Costs incurred as a result of the earthquake (including costs associated with moving home or dealing with trauma).

The Government regulation implementing the changes is in force for 9 months from 22 April 2011.

The maximum withdrawal under the significant financial hardship rules is the current value of your contributions and your employer's contributions. You cannot withdraw the $1,000 Kickstart payment or any member tax credits.

Contact the office if you want to discuss making an application for early withdrawal due to significant financial hardship or to be sent an application form.

Member Tax Credit

Are you getting the maximum Member Tax Credit (MTC) available to you from the Government?

The MTC year end is fast approaching. If you need to top up your contributions to receive the maximum MTC, then don't forget to do this before 30 June.

Following the Budget announcement, this is the last year that you will be able to receive a maximum MTC of $1,042.86. From 1 July 2011 the Government has halved the MTC. See the next page for more information.

To qualify for a MTC payment, you must be 18 years of age or older and your principal place of residence must be in New Zealand (unless you are working overseas for the Government or an approved charitable organisation).

To get the full MTC, you have to contribute at least $1,042.86 a year. Employer contributions and Government contributions do not count towards the MTC assessment.

If you contribute less than $1,042.86 you can make a voluntary contribution to ensure you receive the full MTC payment from the Government. Note that if you have been a member for less than a year, then you will receive a MTC calculated on a pro-rata basis based on the length of your membership.

In assessing the MTC payment for employees, Inland Revenue uses the date your employer made the contribution deduction, not the date the contribution was received by the Kiwi-Saver scheme.

For voluntary contributions and contributions from non-employee members, the date of receipt is used.

You can see your contributions in the Koinonia Fund on our website. However, it takes Inland Revenue about three months for a KiwiSaver contribution to reach your KiwiSaver account. Contributions still held by Inland Revenue can be viewed by registering with Inland Revenue's My KiwiSaver (www.kiwisaver.govt.nz).

Budget Changes - How they affect KiwiSaver

The KiwiSaver changes announced by the Government in its Budget on 19 May 2011 have been widely publicised. The timeline for the changes is:

1 July 2011	The Member Tax Credit (MTC) rate will be halved from $1 to 50 cents for every $1 contributed by members, up to a maximum MTC of $521.43 per year. These payments are made annually after the government financial year end. So the first MTC payments at the new level will occur in July 2012.
1 April 2012	The tax free status of the minimum employer contributions to KiwiSaver will end. All employer contributions will be subject to Employer Superannuation Contribution Tax.
1 April 2013	The minimum employee contribution rate will rise from 2% to 3% of pay. Members will still be able to select a higher contribution rate of 4% or 8%. The compulsory employer contribution rate will rise from 2% to 3% of employee's pay.

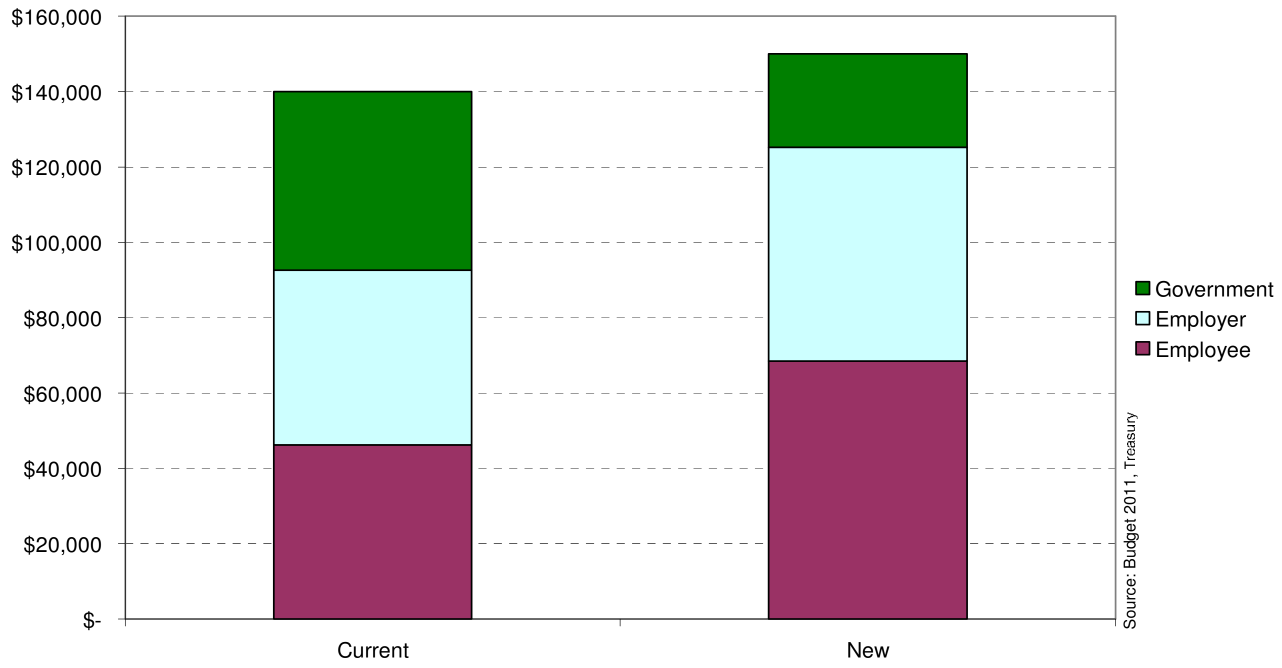
There are no proposed changes to the contribution rules for non employee members. However, the change to the MTC rules does apply to non employee members.

While the changes move some of the contribution burden from the Government to members and employers, there still remain reasonable incentives for people to continue using KiwiSaver for their retirement savings.

The following graph shows the impact of the changes to an employee member. It is the accumulated savings at age 65 of a 35 year old joining on 1 April 2013 on an annual salary of $50,000, contributing the minimum contribution to KiwiSaver. The balance is broken down into employee contributions, employer contributions and government subsidies. The bar graph on the left is the accumulation at age 65 under the current rules. The bar graph on the right is the accumulation at age 65 under the changed rules.

Even under the changed rules, over half of the final balance is attributable to contributions made by the employer and the Government and earnings on these contributions which is better than if you had not joined KiwiSaver or are on a contribution holiday.

Savings for 30 years on salary of $50,000 at minimum contribution rates



Assumptions: Assumes start date of 1 April 2013; Annual Member Tax Credit is averaged on weekly basis; all balances at 65 are in today's dollars and rounded to nearest $2500; funds earn a real rate of return after fees of 4%; and real wages grow at a rate of 1.5% per annum; Neither tax rates, nor the Member Tax Credit are indexed for inflation.

Prepared by:
The New Zealand Anglican Church Pension Board
May 2011