

Member Briefing Virtual Roadshow

- **Beca Super Scheme**
- **Beca Group Superannuation Plan**

March 2023



Superannuation at Beca

Beca board firmly supports employee savings:

- Beca Group Superannuation Plan (**BGSP**) established 1973
- Beca Super Scheme (**BSS**) – KiwiSaver-consistent complying fund) established 2007
- Only for Beca NZ employees

Key part of Beca’s superannuation provision – currently 92% of employees in superannuation:

- 1,536 in KiwiSaver schemes
- 675 in BSS (average balance \$127,970*)
- 158 in BGSP (average balance \$232,021*)

*as at 31 August 2022



Changes in membership

Year ended 31 August	BSS	BGSP
2017	659	229
2018	696	225
2019	689	206
2020	637	182
2021	639	175
2022	690	167

Annual new BSS member admissions:

Year ended 31 August	New members
2017	45
2018	87
2019	52
2020	4* (COVID)
2021	42
2022	89

Governance

BGS Trustee Limited is issuer and trustee

Trustee currently has 6 directors:

- **3 Beca** directors:
 - Chye Heng (Chair)
 - Mark Fleming
 - Richard Aitken
- **3 independent** directors:
 - Paul Drummond (Licensed Independent Trustee Director)
 - Professor Jilnaught Wong (Professor Emeritus, University of Auckland)
 - David Searle (Managing Director, Baker Tilly)

Trustee board will have improved diversity with appointment of 2 female directors shortly

Administration and key services

Administration Manager: Melville Jessup Weaver (**MJW**):

- independent firm
- consulting actuaries and administrators

Member Liaison: Karen Vernon (MJW)

Trust Secretary: Natalie Heng (Beca)

Investment Consultant: Ben Trollip (MJW)

Investment Advisers: Jarden Securities and Forsyth Barr

Group Life Insurer: Resolution Life

Solicitors: Chapman Tripp

Auditor: Deloitte

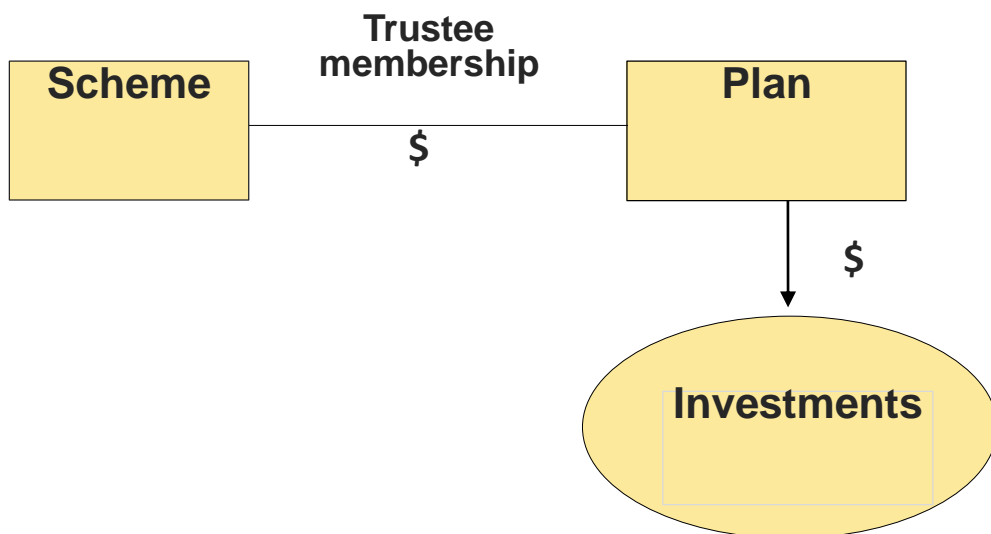
Investment arrangements (1)

Trustee has **Investment Committee** to which it delegates:

- exercise of its power of investment
- day-to-day investment portfolio management

Members are Mark Fleming (Chair), Chye Heng and Nick Edwards

All BSS assets are **invested through BGSP** as follows:



Investment arrangements (2)

Most investment assets now in **managed investment schemes** managed by these underlying managers:

Manager	Sector	Underlying investment manager(s)
Ironbark	International equities	Fiera Atlas
Mercer	International listed infrastructure	Macquarie
	NZ fixed interest/cash	Macquarie
	Diversified (Income Generator Fund)	Mercer
Nikko	Australasian equities	Nikko Asset Management
	International equities	NAM Europe, Royal London, WCM
	International fixed interest	Goldman Sachs Asset Management
Salt	International equities	Morgan Stanley
	International listed infrastructure	Cohen & Steers
	Diversified (Sustainable Income Fund)	Salt

Also certain **direct investments** - currently:

- shareholdings in BGL and large **listed NZ and Australian companies**
- investments in **fixed interest securities** issued by major private and public sector entities
- investments in government **treasury bills** and short-term **bank deposits**

Summary of key features – BSS

4% employee contribution and matching **4% employer contribution**
(less employer superannuation contribution tax)

Government contribution up to **\$521 per annum** (under current legislation)

Death and total disablement **insurance**:

- if total BSS (and any BGSP, excluding voluntary) balance is **below 2 times base salary** (maximum salary for this purpose is \$200,000), an insurance 'top-up' to increase total benefit to two times base salary (maximum \$400,000)
- if any locked-in balance is transferred to KiwiSaver, cover reduces accordingly
- no more cover when balance(s) exceed 2 times base salary (or \$400,000 if that is a lesser amount) or member reaches 65
- Beca pays full cost of cover

BSS and BGSP: investment earnings applied annually (and on exit)

Comparing BSS and KiwiSaver (1)

Contribution rates differ:

- Beca only contributes compulsory **3%* of salary to KiwiSaver** (employee must also contribute 3%* minimum) *under current KiwiSaver legislation
- Beca contributes **4% of salary to BSS** (employee must also contribute 4%)

Access provisions differ:

- in KiwiSaver, **all** contributions (and investment earnings) are locked in until NZ Super age (currently 65) with limited exceptions such as:
 - serious illness
 - significant financial hardship
 - first home purchase
- in BSS, **last 1%** of member's and Beca's contributions (and investment earnings on those) are '**unlocked**' (i.e. payable when leaving Beca's service)

No **insurance cover** within KiwiSaver

Comparing BSS and KiwiSaver (2)

Some other key points of difference are:

Feature	BSS	KiwiSaver
Investment choice	No member investment choice – ‘moderate balanced’ strategy	Choice of investment options
Calculation of returns	Year-end, monthly and interim earnings rates	Daily unit pricing
Benefit retention	Permitted, on conditions and for up to 5 years, if member leaves service due to redundancy or (if aged 55+) due to retirement or illness	Retention permitted after age 65
Tax on investment income	Not a portfolio investment entity (PIE) - taxable investment income taxed at 28%	Schemes are PIEs – taxable investment income taxed at 28% or (for lower earners) 17.5% or 10.5%

BSS is 'KiwiSaver-integrated'

By joining, employee agrees that while a BSS member:

- any ongoing KiwiSaver compulsory employer contributions are **payable to BSS** as locked-in contributions, and
- Beca **will not contribute to KiwiSaver** for employee's benefit

Member who is already in (or joins) KiwiSaver can either:

- take (and annually renew) a KiwiSaver **savings suspension**, or
- contribute to **both** KiwiSaver (minimum 3%) and BSS (minimum 4%)

Member can **transfer** locked-in balance to KiwiSaver scheme at any time and remain a BSS member:

- insurance cover reduces accordingly
- transfer fee (currently \$200) for second and any later transfer while a contributory member

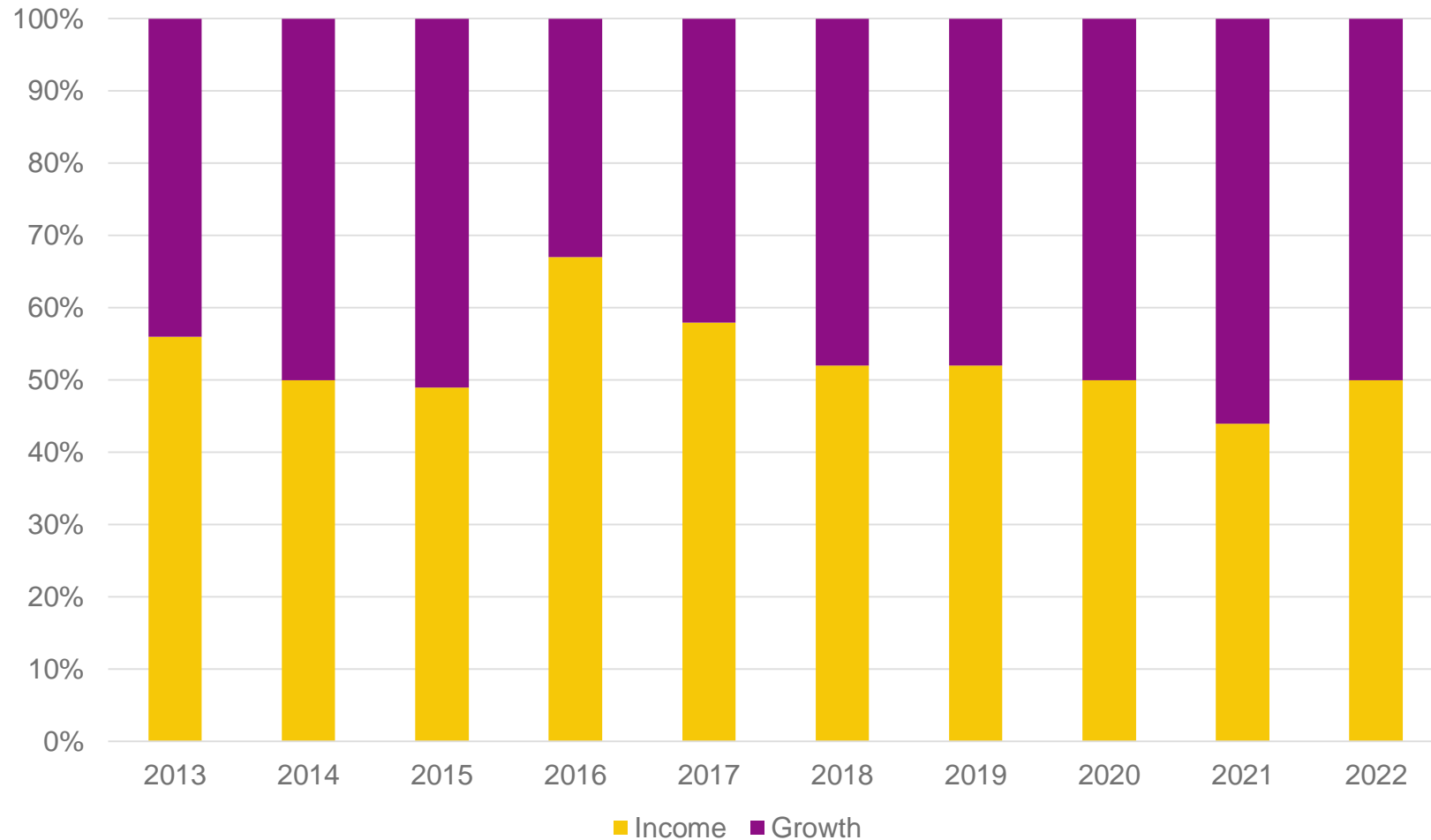
KiwiSaver legislation does **not** allow a transfer from KiwiSaver **into BSS**

Current investment strategy

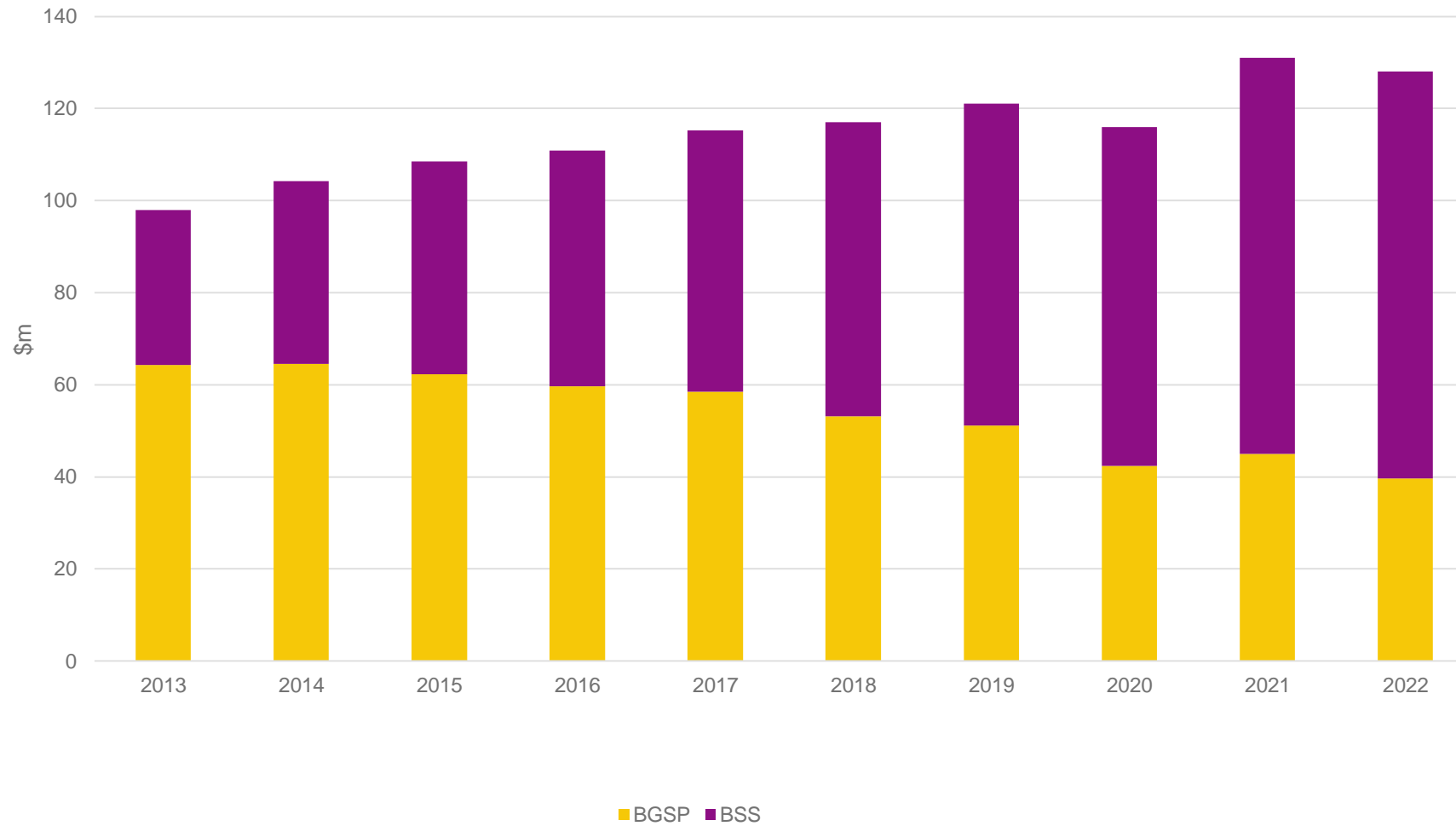
Asset Class	Benchmark/Target	Range
Australasian Equities	17.5%	7.5% - 27.5%
International Equities	22.5%	12.5% - 35%
Alternative Assets	10%	0% - 17.5%
Total Growth Assets	50%	20% - 80%
New Zealand Fixed Interest	20%	10% - 30%
International Fixed Interest	15%	5% - 22.5%
Cash and Cash Equivalents	15%	5% - 27.5%
Total Income Assets	50%	20% - 80%

Investment Committee is currently actively considering changes to investment strategy - may consider increasing growth asset allocation in pursuit of higher long-term returns

Asset allocation – historic trend



Funds under management



Investment objectives

Trustee currently has **two** specific investment performance objectives:

- achieve an average return, after fees and tax, over medium term (5 to 7 years) of **1.5% per annum more than inflation** (as measured by CPI increases)
- achieve returns, after fees but before tax, ranking in **top 50%** overall of returns achieved by **comparable KiwiSaver funds** (as determined by MJW) over medium term

Results against objectives for 5 year period ended 31 August 2022:

Returns 5 years to 31 August 2022 (per annum)	
Plan (after fees and tax)	5.8
CPI + 1.5% pa	4.8 ✓
Plan (after fees, before tax)	6.1
Median balanced fund (MJW survey)	5.2 ✓
Median moderate fund (MJW survey)	3.3 ✓

Notes:

- past performance is not necessarily indicative of (and cannot be relied upon as a guide for) future performance
- returns can be positive or negative, and returns over different time periods may vary
- no returns are promised or guaranteed

Recent investment performance – BSS and BGSP

For year ended 31 August 2022, performance (while negative) was ahead of market index:

- BSS and BGSP investment return **-3.5%** (after fees, before tax)
- market index return **-6.8%**

For 6-month period 1 September 2022 to 28 February 2023:

- BSS and BGSP investment return **+0.7%** (after fees, before tax)
- market index return **+1.2%**

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Recent investment performance – wider market

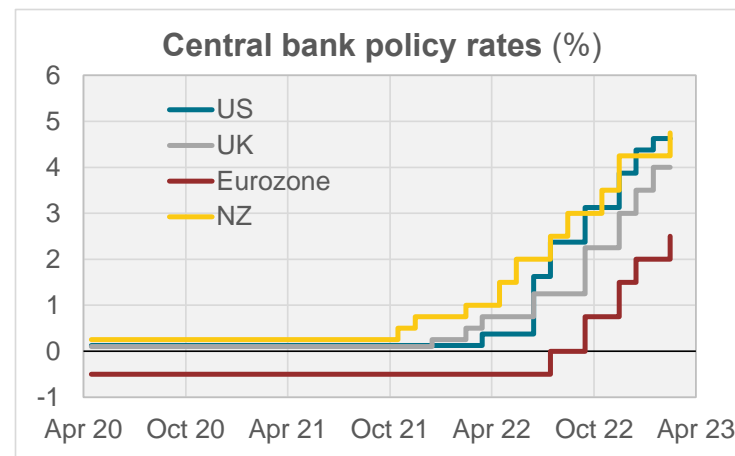
Investment markets have struggled recently:

- global share markets **peaked around December 2021**
- 2022 calendar year was **volatile and downwards**

However, share markets remain above their March 2020 low (caused by emergence of COVID-19) and have recently staged something of a rally

Key driver has been **high inflation** and central bankers' responses:

- after being held near zero, interest rates have been rapidly lifted
- rising interest rates put pressure on financial asset values and lead to mark-to-market losses on fixed interest investments



Market outlook

Inflation remains most important factor on investors' minds:

- annual inflation is still running at uncomfortably high levels
- but growing optimism most of 'heavy lifting' has now been done and we may see inflation rates begin to fall

Outlook for returns now **better** than it has been for some time:

- higher interest rates predict better returns from fixed income and cash in future
- equity markets have come down in price, suggesting a better starting point for future returns

'Wild cards' remain though – e.g.:

- **geo-political** issues (Russia/Ukraine, China/US) could spill over into financial markets
- **banking failures** in US and potentially elsewhere (although limited in scope so far)

Responsible investment

Trustee is finalising a **responsible investment** policy:

- responsible investing - integrating **environmental, social** and **governance (ESG)** factors into investment decision-making - can help:
 - better identify investment **opportunities** and **risks**
 - drive better risk-adjusted investment **outcomes** over time
- long term, entities with meaningful focus on ESG considerations and commitment to sustainability can be expected to deliver **more sustainable investment returns** than others

Some key aspects:

- Trustee will consider extent to which each fund manager incorporates **responsible investment practices** and **ESG considerations** into its process
- Trustee will ask fund managers each year to **explain and certify** (and confirm adherence to) their policies on integrating ESG factors into investment process
- Trustee will also consider ESG factors when deciding whether to make or retain a **direct investment**

Having a responsible investment strategy is consistent with Beca Group ethics and sustainability strategy

Recent Trust Deed amendments

Trust Deeds were amended 18 July 2022 to:

- enable **over-65s** to join BSS as new members (reflecting KiwiSaver)
- better enable **continued membership by part-time employees** - enabling a member:
 - employed permanently, but
 - working fewer than 24 hours per week (e.g. due to childcare or reduced hours pre-retirement)to remain a member (contributing and subsidised in BSS) if Beca agrees
- give Trustee more flexibility regarding **partial withdrawals by members who have reached age 65** and remain in service:
 - Trust Deeds formerly did not allow such withdrawals (enabled only full deferral until leaving service)

Benefit deferral facility

Member who ceases service:

- aged **55+** due to **retirement or illness**, or
- due to **redundancy**

can leave their balance in BSS and/or BGSP for **up to 5 years** (though may transfer locked-in BSS balance to KiwiSaver) so long as:

- combined amount initially retained exceeds minimum amount Trustee determines
- current minimum **\$100,000**

Trustee may **cancel or vary** facility (or, on exceptions basis, apply alternative eligibility criteria)

Current key terms and conditions:

- member can **fully exit** at any time (BSS locked-in balance transferred to KiwiSaver if member is below 65)
- withdrawal in **instalments** permitted (\$5,000 minimum – maximum 4 per year)
- membership terminates on month-end after **5 years** pass

Already taken up by 22 members

“Decumulation” (drawdowns) generally

50% of KiwiSaver members now retain balances after age 65 – so support for:

- **simple**, readily available and **generalised** guidance on investment mix and drawdown options for new retirees
- contacting members at near-retirement-age milestones

KiwiSaver annual member statements since 2020:

- retirement savings and income **projections**
- **prompts** for members to think about choice of fund and contribution rate

Guidance is pending – FSC *Retirement Planning Guide* – and will be made available to members

Death benefits – importance of Wills

Trust Deeds amended 2019 to require all death benefits – not just BSS locked-in balances – to be paid to deceased members' **estates**:

- executors of member's **Will**, or
- if member dies without a valid Will, to court-appointed **estate administrator**

Most modern schemes (and all KiwiSaver schemes) require death benefits to be paid to estates – preserves privacy and Will is effectively **binding direction** concerning how benefit is to be paid

Very important to have a Will and **keep it up to date** – especially as personal circumstances change

If member dies **without** a valid Will ('intestate'), legislation sets out when and how estate can be distributed:

- causes delay and uncertainty
- member's wishes might not be met

Contacts (and more information)

Karen Vernon – Scheme Administrator:

- phone (09) 980 0531, or
- Email becasuper@mjlw.co.nz

BSS website – www.becasuper.co.nz:

- **Product Disclosure Statement** and **Other Material Information** document
- **Fund Updates**
- **SIPO**
- **Annual Report** and **Financial Statements**
- **FAQs**
- **Newsletters**
- **Member forms** (e.g. leaving service, contribution rate change, first home withdrawal)
- password-protected access to latest year-end **Member Benefit Statement**

Seek **financial advice** – www.fma.govt.nz (search *How do I find an adviser?*)

Important note

- The information in this document is **not intended to be financial advice** or to take the place of a financial advice provider. It is for members' general information only, and was prepared on behalf of BGS Trustee Limited (the issuer of the Beca Group Superannuation Plan and the Beca Super Scheme) without taking account of your personal objectives, circumstances or needs.
- More information about the Beca Super Scheme can be found in the Scheme's most recent **Product Disclosure Statement** (a copy of which is available at www.becasuper.co.nz). That website also has more information about both the Scheme and the Beca Group Superannuation Plan.