

State Sector Retirement Savings Scheme

ASPIRE – INVESTMENT STATEMENT 28 MARCH 2008



This is an Investment Statement for the purposes of the Securities Act 1978.

Important Information

(The information in this section is required under the Securities Act 1978.)

Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

Choosing an Investment

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

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In addition to the information in this document, important information can be found in the current registered prospectus for the investment. You are entitled to a copy of that prospectus on request.

Engaging an Investment Adviser

An investment adviser must give you a written statement that contains information about the adviser and his or her ability to give advice. You are strongly encouraged to read that document and consider the information in it when deciding whether or not to engage an adviser.

Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes, and carry different levels of risk.

The written statement should contain important information about the adviser, including:

- Relevant experience and qualifications, and whether dispute resolution facilities are available to you; and
- What types of investments the adviser gives advice about; and

- Whether the advice is limited to investments offered by one or more particular financial institutions; and
- Information that may be relevant to the adviser's character, including certain criminal convictions, bankruptcy, any adverse findings by a court against the adviser in a professional capacity, and whether the adviser has been expelled from or prohibited from joining a professional body; and
- Any relationships likely to give rise to a conflict of interest.

The adviser must also tell you about fees and remuneration before giving you advice about an investment. The information about fees and remuneration must include:

- The nature and level of the fees you will be charged for receiving the advice; and
- Whether the adviser will or may receive a commission or other benefit from advising you.

An investment adviser commits an offence if he or she does not provide you with the information required.



What sort of investment is this?

The securities offered are interests in the Superannuation Master Trust (‘the Scheme’) which is a registered superannuation scheme. This Investment Statement relates only to the State Sector Division (sometimes referred to in this Investment Statement as the State Sector Retirement Savings Scheme), which is an administrative division of the Scheme. The Scheme also has a personal division (‘AXA Personal Superannuation’) and a business division (‘AXA Business Superannuation’).

The Scheme is a Portfolio Investment Entity (PIE).

The terms of the Scheme allow the Trustee and the State Services Commissioner to agree to allow qualifying employers (if they elect to do so) to make available to their employees a facility to contribute to a “Locked-in Account” which meets the requirements of the Complying Fund Rules in the Income Tax Act, in order to obtain key KiwiSaver-equivalent tax benefits. This option is not currently offered.

The Scheme

The State Sector Retirement Savings Scheme has been set up at the request of the State Services Commissioner (“the Commissioner”) to provide state sector employees with the opportunity to save for their retirement through membership of the Scheme. The Scheme is a defined contribution scheme, which means the benefits you get from the Scheme are based on your contributions, your Employer’s contributions, the performance of the investments made with those contributions and the tax paid on those investment earnings.

From 1 April 2008 the State Sector Division is only open to new members employed by Boards of Trustees of State and State-integrated schools. From 1 October 2008 the State Sector Division will be closed to all new members.

Throughout this Investment Statement ‘Employer’ generally refers to your own Employer who has entered into a Participation Agreement with the Trustee of the Scheme to become an Employer in the State Sector Retirement Savings Scheme, or where applicable to other Employers in the State Sector Division.

National Mutual Corporate Superannuation Services Limited administers the State Sector Retirement Savings Scheme under the Scheme. We have appointed a Trustee (New Zealand Permanent Trustees Limited) to hold the Scheme’s assets in trust for its members in accordance with the Scheme’s Trust Deed and law.

Investment of Retirement Savings

Currently the State Sector Retirement Savings Scheme has four investment portfolios for you to choose from, each reflecting different levels of risk and earning potential.

We may agree, with the Commissioner, to make additional investment portfolios available to you.

You can contribute to and hold investments in any number and any combination of these portfolios. It is your responsibility to choose the portfolio(s) that best suit your investment needs. Neither we nor the Trustee are responsible for your choice of portfolio(s). However, if you do not choose an investment portfolio, the Conservative Portfolio will be selected automatically on your behalf. The three Diversified Portfolios invest in a range of investment sectors which include cash, fixed interest, property and shares. The investment mix for each Diversified Portfolio provides a different level of risk and earning potential.

There are three Diversified Portfolios as well as the Cash Portfolio.

You can choose from:

- Cash Portfolio
- Conservative Portfolio
- Balanced Portfolio
- High Growth Portfolio.

At the date of this Investment Statement the underlying assets of each of the portfolios are managed by the fund manager(s). The fund manager(s) are appointed by us or by the person to whom we delegate investment management functions from time to time.

More information about the investment portfolios is set out in the brochure accompanying this Investment Statement.

Important Notes on the Portfolio Options

- The level of exposure to individual fund manager(s) in the portfolios may change at any time without notice to you.
- The fund manager(s) associated with each portfolio may change at any time without prior notice to you. To find out the current fund manager(s) at any time you can contact us.
- The investment ranges, mixture of investments, objectives, strategies and benchmarks, and the nature of the assets in which each portfolio can and does invest, may change at any time.
- Each of the portfolios is currently invested in the Client Unit Trust, a range of unit trusts issued by Assure New Zealand Limited, a related party of the Administration Manager.

Who is involved in providing it for me?

The name of the Scheme is ‘Superannuation Master Trust’. The Scheme was established by a trust deed dated 20 March 2000 and has been in operation since that date. The Scheme is currently governed by a consolidated trust deed dated 28 March 2008 (‘Trust Deed’). The Scheme is registered under the Superannuation Schemes Act 1989.

Trustee

New Zealand Permanent Trustees Limited (‘the Trustee’).

The Trustee’s address is:

New Zealand Permanent Trustees Limited
141 Willis Street
PO Box 5067
Wellington 6145

Administration Manager

National Mutual Corporate Superannuation Services Limited (‘the Administration Manager’).

80 The Terrace
PO Box 1692
Wellington 6140

National Mutual Corporate Superannuation Services Limited is a member of the Global AXA Group.

Throughout this Investment Statement, ‘we’, ‘our’ or ‘us’ means the Administration Manager.

Promoters

National Mutual Corporate Superannuation Services Limited and its directors are promoters of the Scheme and the State Sector Division. The directors are Christopher William Day; Gordon Patrick Noble Campbell; and Ralph Earle Stewart.

The address of each of the above promoters is:

80 The Terrace
PO Box 1692
Wellington 6140

The State Services Commissioner ("the Commissioner") is also a promoter of the State Sector Division. The Commissioner at the date of this Investment Statement is Mark Prebble.

The address of the Commissioner is:

State Services Commissioner
100 Molesworth Street
Wellington 6143

None of us, the Trustee, or the promoters, or any other person guarantees in any way the securities offered by this Investment Statement.

The Scheme was established principally for the purpose of providing retirement benefits to individuals or paying benefits to trustees of registered superannuation schemes.

The Trustee of the Scheme is the person legally liable to pay your benefits according to the Trust Deed and the Administration Manager is responsible for managing the Scheme including:

- Collecting contributions;
- Deciding investment objectives and strategy;
- Calculating unit values and allocating units; and
- Calculating and paying benefits.

Neither we, nor the Trustee, nor the promoters, nor any other person guarantees in any way the securities offered by this Investment Statement.

Responsible Investment Statement

Responsible investment, including environmental, social and governance considerations, is taken into account in the investment policies and procedures of the Scheme as at the date of this Investment Statement.

This occurs only to a limited extent.

We have a large and very diverse client base that hold a range of different beliefs and opinions with regard to socially responsible investing. Taking this broad range of opinions into account, we set a list of exclusions within our funds rather than making corporate and environmental responsibility a focus of our investment process unless these factors will transcribe into greater profits, as is often the case.

Currently, our investment managers are not permitted to invest in those companies that are involved in the production or sale of whale meat or land mines.

This explanation is available on the issuer's website on the Internet at www.publictrust.co.nz, which is publicly accessible at all reasonable times, and from the Trustee free of charge, upon request.

You can request from us this explanation to the extent to which responsible investment is taken into account in the policies and procedures of the Scheme by calling our Customer Services Centre on 0800 29 27 28.

How much do I pay?

Calculation of Contributions

How much you pay depends on whether you are a Subsidised Member or an Unsubsidised Member of the Scheme, and when you became a permanent employee of your employer.

You can join as a **Subsidised Member** if you:

- (a) are employed by the Board of Trustees of a State or State-integrated school (a "School") either permanently or under a fixed-term contract with four or more months to expiry when you join the Scheme; and
- (b) are receiving a Salary; and
- (c) are not contributing to the Government Superannuation Fund; and
- (d) are not a person for whose benefit an employer is contributing to a KiwiSaver scheme under subpart 3 A of the KiwiSaver Act; and
- (e) are not receiving:
 - a funding subsidy with respect to membership of another registered superannuation scheme or a KiwiSaver scheme, which after deducting employer's superannuation contribution tax ("ESCT" is equal to or greater than your Maximum Subsidy Rate (see below), and is not tradeable for an increase in your Salary (see below) (a "Subsidy"); or
 - a superannuation allowance from your Employer which is additional to your Salary and which (after deducting tax) exceeds or is equal to your Maximum Subsidy Rate (an "Allowance");
 - unless as a condition of joining you will no longer receive that Subsidy or Allowance, or the Subsidy or Allowance will reduce by an amount at least equal (after tax) to the Maximum Subsidy Rate prescribed for you from time to time.

You can join as an **Unsubsidised Member** if you satisfy requirements (a) and (b) above, or if you are a "Post-June 2007 Employee" (that is, if you became a permanent employee of your School within the meaning of section 25(3) of the KiwiSaver Act 2006 on or after 1 July 2007) or if you satisfy requirement (b) above.

You will also be eligible to be a Subsidised Member if you meet all of the above requirements except being employed either permanently or under a fixed-term contract with four or more months to expiry and:

- (a) you met all of those requirements when becoming a Member (or at a later date) and are employed under a fixed term agreement with an Employer; or
- (b) since becoming a Member, you have completed four or more consecutive months' service with an Employer or Employers under one or more fixed-term agreements.

As your circumstances change you may move from being a Subsidised Member to an Unsubsidised Member, and vice versa.

For the purposes of the State Sector Retirement Savings Scheme, "Salary" means:

- for any Member other than a principal or teacher at a school, the annual before-tax amount of base salary or wages;
- for a principal of a school, the sum of the annual before-tax amount of base salary (including supplementary component) plus decile funding;
- for a teacher at a school, the sum of the annual before-tax amount of base salary or wages plus permanently allocated salary units, and excludes any fixed term salary unit (for a principal or teacher) and any other allowance or remuneration paid to you.

The Maximum Subsidy Rate is 3% of your Salary per pay period (or a greater percentage of Salary if the Commissioner so determines) LESS any Subsidy or Allowance, unless as a condition of becoming and remaining a Subsidised Member, that Subsidy or Allowance has been reduced by an amount equal (after deducting tax) to the applicable Maximum Subsidy Rate.

Your Employer may agree to a greater Maximum Subsidy Rate for you.

Regular Member Contributions

Subsidised Members

If you are a Subsidised Member you must contribute to the Scheme 1.5% or more of every Salary payment you receive. You must contribute at a rate which is a whole multiple of 0.5% of your Salary (eg 1.5%, 2%, 2.5% etc). There is no maximum amount.

Different contribution rules may apply if the Locked-In Option is offered and applies to you – see the information under the heading “Locked-In Option” on page 4.

Unsubsidised Members

If you are an Unsubsidised Member you may (but you are not required to) make regular contributions to the Scheme of 1.5% or more of every Salary payment you receive, or 4% or more of every Salary payment you receive if you are a Post-June 2007 Employee. You must contribute at a rate which is a whole multiple of 0.5% of Salary. There is no maximum amount. If you do not receive a Salary you may (but are not required to) make regular contributions to the Scheme by automatic payments or such other means as we may approve from time to time. Payments made must be at least \$20 or such other greater amount as we and the Commissioner may agree from time to time. You must contribute in whole multiples of \$10.

There is no maximum rate or amount. Different contribution rules may apply if the Locked-in Option applies to you – see the information under the heading “Locked-In Option” on this page.

Employer Regular Contributions

Subsidised Members

Your Employer must contribute an amount equal (after deducting ESCT) to your contributions for each pay (and the contributions that your Employer makes on your behalf under any Salary Sacrifice Arrangement for that pay), up to the Maximum Subsidy Rate, plus any other amount the Employer agrees to contribute on your behalf under a Salary Sacrifice Arrangement.

Unsubsidised Members

If you are an Unsubsidised Member your Employer must contribute any amount the Employer agrees to contribute on your behalf under a Salary Sacrifice Arrangement. Your Employer will not be required to make any other contributions if you are an Unsubsidised Member.

Salary Sacrifice Arrangements

You may if your Employer agrees enter into a “Salary Sacrifice Arrangement” with your Employer. This is an arrangement where your remuneration is reduced in consideration of your Employer agreeing to contribute matching additional before-tax amounts to the Scheme on your behalf. In these cases, you may elect not to make further contributions which you might otherwise be required to make provided that, after making that election your regular contributions plus the contributions made under the Salary Sacrifice Arrangement, together total at least 1.5% of every Salary payment received by you (or 4% if you are an unsubsidised member and a Post-June 2007 Employee). “Salary” for this purpose includes amounts sacrificed.

An Employer who has entered into a Salary Sacrifice Arrangement with you may vary the rate of contributions under that arrangement with your agreement, provided that the overall contribution minimums are met.

Parental Leave

A Subsidised Member who has been on a period of parental leave may contribute to the Scheme (or arrange for his or her Employer to contribute to the Scheme on his or her behalf, under a Salary Sacrifice Arrangement) an amount equal (after deducting SSCWT in the case of

contributions made under a salary sacrifice contribution) to 1.5% or more of the amount of salary which the Member would have received for pay periods during the period of parental leave, or for such one or more of these pay periods as the Member elects, calculated as if the Member's Salary during the relevant parental leave period equalled the greater of his or her Salary immediately before commencing parental leave and his or her Salary on the date of resuming receipt of a Salary. These contributions must be made within seven months of the end of the parental leave. A Member who was a Subsidised Member immediately before commencing a period of parental leave and is made redundant by his or her Employer effective before, or when, the parental leave periods ends may elect to contribute to the Scheme an amount equal to 1.5% or more of the Salary which the Member would have received for pay periods from and including the commencement of the parental leave to the effective date of redundancy, or for such one or more of those pay periods as the Member elects, calculated as if the Member's Salary during the relevant parental leave period equalled his or her Salary immediately before commencing parental leave. These contributions must be made before the effective date of the Member's redundancy.

Where a Member makes a backdated contribution under either facility, his or her Employer must contribute an amount equal to that contribution (subject to a maximum of the Maximum Subsidy Rate).

Lump Sum Contributions

You and/or your Employer may also make lump sum contributions provided that those contributions are made in New Zealand dollars and are at least NZ\$100 (or such other greater minimum as we and the Commissioner may agree from time to time) and are subject to such other terms and conditions as the Commissioner and we may agree from time to time. Your Employer does not have to match any lump sum contributions you make.

Locked-In Option

A “Locked-in” Option could in the future be offered within the Scheme although there is no intention to do so at the date of this Investment Statement. If it is offered, it will operate on the basis set out in this section. At any time while the Scheme is a complying superannuation fund (which, as at the date of this Investment Statement, it is) the Commissioner may direct the Trustee to create and maintain a facility under which (subject to certain notice requirements and other conditions and restrictions agreed between the Trustee and the Commissioner):

- (a) an Employer and a Member can agree that all (or an agreed portion) of the contributions paid to the Scheme for that Member's benefit will be subject to specific lock-in rules, in which case the Member and Employer contributions paid to the Scheme for the Member's benefit may be such rates or amounts (however expressed) as the Member and the employer agree; and/or
- (b) an Employer can direct the Trustee that all (or a prescribed portion) of the contributions paid to the Scheme for the benefit of an employee who has yet to join the Scheme will be subject to specific lock-in rules, in which case the Member and Employer contributions paid to the Scheme for the Member's benefit may be such rates or amounts (however expressed) as the Employer directs.

The balance of a Member's Locked-in Account (which is the account to which these contributions will be paid), less any fees due for payment from that account and, where applicable, the share of any termination or wind-up costs apportioned to the Member's Locked-in Account, is referred to in this Investment Statement as the Member's “Locked-in Balance”.

Except where the Member has suspended his or her contributions to the Scheme, the total amount of contributions credited to a Member's Locked-in Account while a lock-in arrangement is in force will be required to be not less than the minimum amount required to be contributed to

a Locked-in account in a superannuation scheme under the complying fund rules prescribed in the Income Tax Act (as amended from time to time).

Transfers

Amounts may be transferred from another superannuation scheme (though transfers between State Sector Retirement Savings Schemes will be prohibited from 1 April 2008 for all persons except employees of the Boards of Schools, for whom such transfers will be prohibited from 1 October 2008). If the transferred amounts are from another State Sector Retirement Savings Scheme (which is the Teachers' Retirement Savings Scheme and any registered superannuation scheme, or section of such a scheme approved by the Commissioner as a State Sector Retirement Savings Scheme in which Employers participate), the amount transferred will be credited to your accounts in the same proportions in which they were held in similar accounts in the other scheme. If (and for as long as) you continue, or your Employer (on your behalf) continues to contribute to that other scheme (except for voluntary contributions other than by way of deduction from Salary or salary sacrifice) no such contributions can be made to the Scheme.

In other cases, the amount transferred will be credited to whatever Accounts the Trustee considers appropriate.

Frequency and Method of Payment

If you contribute from your Salary, either as a Subsidised or as an Unsubsidised Member, your contributions will be deducted directly from your Salary each pay period and paid to us.

If you are an Unsubsidised Member who does not receive a Salary you may make regular contributions by automatic payment from your bank. You may make voluntary lump sum contributions at any time.

Payment of contributions is to be made to The National Mutual Life Association of Australasia Limited on our behalf at:

AXA New Zealand
80 The Terrace
PO Box 1692
Wellington 6140

If paying by cheque, please make your cheque in New Zealand dollar, payable to AXA New Zealand and cross your cheque "not transferable – account payee only".

Payment and non-payment of Contribution

If you or your Employer do not pay regular contributions on the required dates or at the required frequency, fees will continue to be deducted. If you are receiving a Salary then your Employer must pay its contributions in respect of you within 31 days of the date you receive your Salary payment for each pay period, or no later than the first of the month following that date. However in the case of contributions made under Salary Sacrifice Arrangements, your Employer must always pay its contributions in respect of you within 31 days of the date you receive your Salary payment for each pay period.

If your Accounts reduce to nil, you will in certain circumstances, cease to be a Member.

What are the charges?

The following charges are or may be payable by you to the Trustee, to us, or to persons associated with either the Trustee or us. The charges may be payable directly or indirectly, including by deduction from your Accounts. We may reduce or rebate any charge in respect of any Member or group of Members. We may vary the level or calculation basis of any of the charges from time to time. You will be advised of any variation.

Administration Fees

Monthly Member Fee

A member fee is debited monthly from Members' Accounts. The fee is determined on the first day of each month, based on the membership of the State Sector Division on the last day of the previous month, using the rates in the table below (rounding the resulting fee down to the nearest 5c). These rates are gross of tax and expenses (ie before tax).

Membership Size (State Sector Division)	Fee Scale
First 2,500 Members	\$3.73
Next 2,500 Members	\$3.36
Next 2,500 Members	\$2.99
Next 2,500 Members	\$2.61
Over 10,001 Members	\$2.24

Assuming there are 8,000 Members, the fee is calculated as follows:

2,500 members x \$3.73	=	\$9,325
+ 2,500 members x \$3.36	=	\$8,400
+ 2,500 members x \$2.99	=	\$7,475
+ 500 members x \$2.61	=	\$1,305
Total	=	\$26,505
26,505 ÷ 8,000 members	=	\$3.31 or \$3.30 per member (rounded down to nearest 5c)

Portfolio Switching

If we allow you to switch your portfolio(s) more than twice in any year, we may charge you a switching fee for your third and any subsequent switches.

As at the date of this Investment Statement, the switching fee is \$50 per switch, although we may change this fee at any time.

Investment and Investment Management Fees

As at the date of this Investment Statement all of the Scheme's assets are invested in the Client Unit Trust, a range of unit trusts managed by Assure New Zealand Limited, a related party of the Administration Manager. Investment Fees and Investment Management Fees are payable for the investment of the State Sector Retirement Savings Scheme's assets. Details of these fees are set out in the tables below.

The Fees comprises two components:

- Investment Fees payable for investments in the Client Unit Trust: Returns to the Scheme are net of Investment Management Fees payable under the terms of the Client Unit Trust. These Investment Fees are determined daily and debited from the value of the State Sector Retirement Savings Scheme's investments in the Client Unit Trust based on (and expressed as a percentage of) the value of those investments.

Investment Fund	Investment Fee
Cash	0.300% pa
Conservative	0.505% pa
Balanced	0.542% pa
High Growth	0.504% pa

- Investment Management Fees payable for investment management services provided by us. This fee is debited from Members' Accounts on a monthly basis.

The Investment Management Fee is calculated monthly in accordance with the table below based on the value of the State Sector Division assets on the last day of the previous month.

Assets Value	Investment Management Fees
First \$75,000,000	0.209% pa
Next \$75,000,000	0.194% pa
Over \$150,000,000	0.179% pa

We can change the Member Fee, Investment Fee and Investment Management Fee at any time with the agreement of the Commissioner, or reduce or remove fees at anytime by written notice to the Commissioner. There is no limit to the amount of these fees.

Trustee Fee and Expenses

The Trustee is entitled to be reimbursed from the Scheme for all expenses, costs or liabilities incurred in acting as Trustee. The Administration Manager may agree to meet the cost of these expenses, costs and liabilities from time to time as it sees fit.

Insurance

We may, with the Commissioner's or your Employer's approval, offer you insurance benefits from time to time. Any premiums will be deducted from your Accounts. The premiums will be determined by us having regard to our usual indemnity practice at the time and we will advise you of the amount of the premium at the time you take insurance if we offer it to you.

As at the date of this Investment Statement, no such benefits are offered.

Wind-up or Termination Costs

If your Employer's participation in the Scheme is terminated or the Scheme is wound up, your proportionate share of any termination or wind-up costs can be deducted from your Member's Balance (and where applicable, your Locked-in Balance).

Tax and its Impact on Fees

The Investment Management fee is deducted from the returns of the relevant Portfolio. We will pay tax on your behalf on the income allocated to you from each Portfolio at your prescribed investor rate, as notified to us, after deducting those fees.

All other fees are either charged to your account or deducted from the income allocated to you.

All fees that are tax deductible will be offset against income allocated to you by the Scheme and under current law cannot be deducted in your personal tax return.

Important Notes

Unless otherwise stated, the fees in this Investment Statement are shown on a gross basis (ie before tax)

All fees that are tax deductible will be offset against income allocated to you from the Scheme and cannot be claimed personally. The fees will affect the returns you will receive.

Your Employer may at any time direct us to arrange a different payment method for any fees payable in respect of some or all Members who are employed by that Employer, including a direction that your Employer will pay the monthly Member fee.

If you suspend your contributions, fees will continue to be deducted. Apart from monthly Member fees, the dollar amount of each fee is variable and cannot be determined for the State Sector Retirement Savings Scheme or for any particular Member at the date of this Investment Statement.

To find out the amount of any fee that applies to your membership in the Scheme at any time, contact the AXA Customer Service Centre on 0800 ASPIRE (0800 277 473).

What returns will I get?

Returns from the Scheme are paid to you as 'benefits'. In most cases your benefit will be part or all of your Member's Basic Account, Voluntary Account, Salary Sacrifice Account and Employer Account, less any fees due for payment from any of those Accounts (and, where the State Sector Retirement Savings Scheme or the Scheme is wound up or terminated, a proportionate share of any termination or wind-up costs payable under the Trust Deed) (your "Member's Balance").

Your Member's Balance will include your Locked-in Balance, if you have one but different benefit provisions (involving a stricter lock-in) will apply to that Locked-in Balance.

In some circumstances you can choose whether you receive part or all of your benefit. If you choose to receive only part of your benefit then you will remain a Member. If you choose to receive all of your benefit you will cease to be a Member on payment.

The different types of benefits that may be payable to you are listed below and overleaf.

The withdrawal value of your entitlement may be more or less than the value of your units held, as tax at your prescribed investor rate (PIR) is paid by cancellation of units and rebates will be paid by issue of units at the end of each year and upon withdrawal of your entitlement.

When the Trustee considers that your interest in the Scheme is less than or equal to the tax payable at your PIR on income allocated to you from the Scheme, it will use your interest in the Scheme to pay the tax and treat you as having requested a full withdrawal.

Attaining Age 50 and Leaving State Sector

If you have reached age 50; and

- are no longer employed by an Employer; and
- your most recent Employer has certified to us that you have ceased employment with that Employer; and
- you or your most recent Employer satisfy us that you have no intention of again being employed by any State Sector Employer either permanently or under a fixed-term agreement,

you may withdraw all or part of your Member's Balance (but not your Locked-In Balance, if any).

You will be treated as having left employment at the close of the last day you actually perform services for your Employer (irrespective of any outstanding leave or notice period).

Death Benefit

When you die the benefit payable is equal to your Member's Balance (which will include your Locked-in Balance, if any).

The benefit is payable to your estate.

Serious Illness/Total and Permanent Disablement Benefit

If the Trustee is reasonably satisfied (after obtaining and considering such medical evidence as it considers appropriate) that you are suffering from Serious Illness, within the meaning of the KiwiSaver Act 2006, you are entitled to a serious illness benefit equal to part or all of your Member's Balance (including your Locked-in Balance, if any).

Alternatively, if in the Trustee's opinion (after obtaining and considering such medical evidence as it considers appropriate) you have become Totally and Permanently Disabled you are entitled to a Total and Permanent Disablement Benefit equal to part or all of your Member's Balance (excluding your Locked-in Balance, if any).

The Trustee will first consider if you are suffering from a Serious Illness, and will only consider whether you have suffered Total and Permanent Disablement if it has concluded that you are not suffering from Serious Illness.

“Serious Illness” under the KiwiSaver Act 2006 currently means any injury, illness, or disability:

- (a) that results in your being totally and permanently unable to engage in work for which you are reasonably suited by reason of experience, education, or training, or any combination of those things; or
- (b) that poses a serious and imminent risk of death.

Under the Trust Deed, you will be “Totally and Permanently Disabled” if you are absent from service with your Employer for six consecutive months (or such lesser period as the Trustee may determine) by reason of injury or illness of such extent that you are unlikely ever to engage in or work for reward to a significant extent in any occupation or work for which you are reasonably qualified by education, training or experience.

Hardship Benefit

If you establish to the satisfaction of the Trustee that you are suffering from significant financial hardship as defined in the Income Tax Act and the withdrawal is necessary to alleviate that hardship you may, if the Trustee agrees, choose to receive all or part of your Member’s Balance (excluding your Locked-in Balance if any). You can also withdraw part or all of your Locked-in Balance, if any, other than the amount of any member tax credit contributions, if the Trustee is satisfied (based on whatever supporting evidence it may reasonably require) that if you were a member of a KiwiSaver scheme clause 10 of the KiwiSaver Scheme Rules (which also deals with withdrawal based on significant financial hardship) would allow the withdrawal.

Attaining New Zealand Superannuation Qualifying Age

When you reach New Zealand Superannuation Age (currently 65), you may automatically choose to receive all or part of your Member’s Balance excluding your Locked-in Balance. You can also withdraw part or all of your Locked-in Balance, if any, in this situation provided that you have first been a member of a complying superannuation fund, or of a complying superannuation fund and a KiwiSaver scheme, for five years.

Partial Retirement

If you are within 10 years of reaching New Zealand Superannuation Age; and

- you are employed by an Employer for 30 or fewer hours per week; and
- you have reduced your working hours from full time; and
- you have notified us that you do not intend to increase your hours in paid employment in the future, you may withdraw all or part of your Member’s Balance (excluding your Locked-in Balance, if any). Your notice must include a signed statement from your Employer noting its understanding that your hours in paid employment will not increase.

First Home Purchase

You may withdraw part or all of your Member’s Balance (excluding the balance in your Employer Account, and the amount of member tax credit contributions paid to your Locked-in Account, if any), if the Trustee is satisfied (based on whatever evidence it may reasonably require) that you intend to purchase an estate in land in circumstances where, treating the period subsequent to 30 June 2007 during which you were a member of one or more State Sector Retirement Savings Schemes and KiwiSaver schemes as KiwiSaver scheme membership, the first home purchase withdrawal facility in the KiwiSaver Scheme Rule. or the “second chance”

home purchase withdrawals facility in the KiwiSaver Regulations 2006 would permit the withdrawal. To be eligible, three years (from 1 July 2007) must have expired since you first made a contribution to the Scheme.

Permanent Emigration

You may withdraw, or transfer to an overseas superannuation scheme authorised by regulations for that purpose, part or all of your Member’s Balance (excluding the amount of member tax credit contributions paid to your Locked-in Account, if any), in a circumstance where, if your membership of the Scheme was membership of a KiwiSaver scheme, the permanent emigration provisions of the KiwiSaver Scheme Rules would allow a withdrawal or transfer.

Special Provision – Teaching Service Members

If you are a teacher or a principal at a school and you have reached age 50 (whether or not you have left the teaching profession or your current Employer), you may withdraw part or all of your Basic Account, Voluntary Account or Salary Sacrifice Account (if applicable).

Voluntary Account Balances

You may withdraw part or all of your Voluntary Account balance at any time. Currently the minimum amount you can withdraw (unless you are withdrawing all your balance) is \$1,000. You may only make two withdrawals from your Voluntary Account in each financial year of the Scheme.

Deferring Withdrawals

You may elect to defer receiving all or part of any benefit to which you have become entitled (other than a death benefit). Currently the minimum amount you may retain in the State Sector Retirement Savings Scheme is \$5,000 unless you are deferring all your benefit.

If you choose to defer receiving all or part of your benefit you may then elect to withdraw part or all of your benefit at any time. Currently the minimum amount you can withdraw is \$1,000 (unless you are withdrawing all your benefit). You may only make two withdrawals in each financial year of the Scheme.

If you defer payment of a benefit the deferred withdrawal rules will also apply to your Locked-in Balance, subject to the proviso that no withdrawal may be made from your Locked-in Balance other than in accordance with the rules governing significant financial hardship, attaining New Zealand superannuation qualifying age or suffering Serious Illness, as they apply to your Locked-in Balance.

Insurance

We may, with the Commissioner’s or your Employer’s approval, offer you insurance benefits from time to time. As at the date of this Investment Statement, no such benefits are offered.

Members’ Accounts

We will establish a Basic Account, Voluntary Account, Salary Sacrifice Account (if applicable) and an Employer’s Account for each Member (and, if the Locked-in Option is offered, a Locked-in Account for each Member who is subject to a lock-in arrangement).

Your **Basic Account** will be credited with all contributions you make except for voluntary lump sum contributions and contributions in excess of the Maximum Subsidy Rate and any contributions made under a lock-in arrangement.

Your **Employer Account** will be credited with the total of all contributions made by your Employer on your behalf except for salary sacrifice contributions (and if the Locked-in Option is offered, any contributions made under a lock-in arrangement).

Your **Voluntary Account** will be credited with any voluntary contributions (for example where an Unsubsidised Member elects to contribute to the Scheme), voluntary lump sum contributions and any contributions (other than any contributions made under a lock-in arrangement), which you make in excess of the Maximum Subsidy Rate.

Your **Salary Sacrifice Account** (if applicable) will be credited with all contributions made by your Employer on your behalf under a Salary Sacrifice Arrangement.

If you are subject to a Lock-In arrangement your **Locked-in Account** will be credited with all contributions to which that arrangement applies.

In addition, the following amounts may be credited or debited to your Accounts:

- transfers from another Account or another plan or scheme credited to that Account;
- transfers to another Account or another plan or scheme debited from that Account;
- the share of fees or other expenses not debited to another Account, paid directly to us or deducted from a benefit or other amount payable from the Scheme;
- any benefit to the extent it has been paid from that Account;
- any insurance premiums if the Commissioner has agreed to allow insurance and you have accepted insurance cover; and
- any other amounts required to be credited or debited to the Account by the Trust Deed from time to time.

The value of units in each Account will also be adjusted by the share of the Scheme's investment earnings attributable to those units.

What Benefit will You Receive if the State Sector Division is Wound Up?

If the State Sector Division is wound up for any reason then, subject to the restrictions outlined below in relation to any Locked-in Balance, you may transfer your Member's Balance (less your proportionate share of any termination or wind-up costs, and any tax payable at your prescribed investor rate) to another State Sector Retirement Savings Scheme, but only to the extent that another State Sector Retirement Savings Scheme remains open to new member admissions, any other registered superannuation scheme or overseas superannuation scheme approved by the Commissioner, another section of the Scheme approved by the Trustee for transfer purposes or a KiwiSaver Scheme (a "Transferee Scheme").

If you do not elect to transfer to a Transferee Scheme you will remain as a Member of the Scheme, except that neither you nor your Employer will be required to make any further contributions (although you may make voluntary contributions) and you will be entitled to receive benefits as outlined in the Trust Deed except that the consent of your Employer shall not be required for any benefit payment and any reference to the Commissioner will be deemed a reference to you.

You may also choose to retain the amount of this benefit in the Scheme and transfer your benefit (excluding any Locked-in Balance) to the Personal Division and become a Member of AXA Personal Superannuation, so long as the Commissioner has approved it as a Transferee Scheme.

Additional restrictions will apply to your Locked-in Balance, if any. If the State Sector Division is wound up, you can only transfer your Locked-in Balance to a Transferee Scheme subject to the transfer restrictions outlined under "What happens if I leave employment in the State Sector" opposite.

If you do not transfer to a Transferee Scheme on that basis then the Trustee will notify the Commissioner of Inland Revenue that your Locked-in Balance must be transferred to a KiwiSaver scheme in accordance with the "default" allocation principles prescribed in the KiwiSaver Act 2006.

What happens if I leave employment in the State Sector?

You will not be entitled to a benefit by reason of leaving State Sector employment unless you satisfy the requirements for the Attaining Age 50 and Leaving State Sector benefit (see page 6). You will remain a Member of the Scheme (until you are eligible for and receive any benefit owing to you or, where permitted, transfer your interest in the Scheme to another scheme and as a result your Member's Balance (including your Locked-in Balance, if any) reduces to nil) but neither you nor any Employer will be required to make any further contributions.

If your most recent Employer certifies to us that you have ceased employment with them and either you or your most recent Employer satisfies us you have no intention of being employed by any Employer again, you may transfer part or all of your Member's Balance to a Transferee Scheme. You can only transfer part or all of your Locked-in Balance, if any, in these circumstances if:

- (a) the Transferee Scheme is a KiwiSaver Scheme, the trustee(s) of that scheme consent to the transfer, and the requirements of the KiwiSaver Act 2006 are met; or
- (b) the Transferee Scheme is a "complying superannuation fund" and the trustee(s) of that scheme consent to the transfer and confirm to the Trustee that the amount transferred will be subject to the complying fund rules in that Transferee Scheme.

Factors Determining Returns

The actual amount of benefit you receive from the Scheme will depend on:

- the value of your Basic Account, Voluntary Account, Salary Sacrifice Account and Employer Account as at the date a benefit is paid;
- if you have a Locked-in Account and are entitled to your Locked-in Balance as part of a benefit, the value of that Account;
- if you have a Locked-in Account and you are entitled to a benefit from that account, whether you are entitled to withdraw any member tax credit contributions and whether the rules relating to member tax credit contributions change; and
- tax (at your prescribed investor rate from time to time, and potentially by way of fund withdrawal tax) and fees.

The value of your Accounts will depend on the contributions made, fees charged, tax deducted and returns achieved on the investment portfolios you have chosen, as well as whether some or all of your Employer's contributions are tax exempt or whether you receive a member tax credit contribution. Your Accounts are expressed as units in portfolios. Returns to each portfolio are reflected in the value of the unit price of the portfolio, which will fluctuate with changes in the value of the portfolio's investments.

Because unit prices move in line with market values, at any time the value of your Accounts may decline or increase. The value of your Accounts therefore will be affected by:

- changes in the investment markets;
- movements in interest rates and currency exchange rates;
- political and other economic events; and
- tax.

No amount of return is promised or guaranteed.

Benefit Payments

Benefit payments are made by direct credit to your bank account or by cheque in circumstances agreed by us. Because payments can be made in a variety of circumstances, the date when a benefit will be paid to you is not known. No amount of return has been promised by any person.

New Zealand Permanent Trustees Limited as the Trustee of the Scheme is the person legally liable to pay your benefits according to the Trust Deed.

We are responsible for managing the Scheme including:

- collecting contributions;
- deciding investment objectives and strategy;
- calculating unit values and allocating units; and
- calculating and paying benefits.

Before you can receive any benefit payment, all contributions in respect of you owing to the Scheme must have been paid.

If a benefit is unclaimed for six years, the Trustee will follow the procedures set out in section 76 of the Trustee Act 1956 and shall then (if section 77 of that Act applies) transfer the Member's Balance and Locked-in Balance, if any, to the Crown under that section.

Requesting a Benefit Payment

You can ask for a benefit to be paid by completing a Benefit Notice which you can obtain by contacting us through calling 0800 ASPIRE (0800 277 473), or emailing us at askus@axa.co.nz or downloading the Benefit Notice online.

You may be required to provide information in writing to enable the Trustee to determine if any fund withdrawal tax applies (see below) or (if applicable) to comply with the requirements of the Income Tax Act relating to your Locked-in Account.

Payment will be made within three business days (or such shorter period as we may agree with the Commissioner) of the later of the dates that we:

- receive the contributions for the month in which you become entitled to the benefit; and
- receive your request for payment or deem that you have requested payment (as applicable).

Suspending Benefit Payments

We may limit or suspend withdrawals of any benefit if, in our opinion, payment of the benefit would jeopardise the continued registration of the Scheme under the Superannuation Schemes Act 1989.

We may also suspend paying benefits to be funded from a particular investment portfolio for up to 90 days or more with the Trustee's consent if, due to:

- the suspension of trading on any exchange (whether generally or in respect of any specific investment); or
- financial, political or economic conditions applying in respect of any financial market; or
- the nature of any investment; or
- the occurrence or existence of any circumstance or event relating to the relevant investment portfolio generally, units in that portfolio cannot be redeemed, or we form the opinion in good faith that it is not practicable or would be materially prejudicial to any Member's interest for units in a portfolio to be redeemed.

Taxes

Taxes may affect your returns. The following is intended as general guidance only and is based on legislation current at the date of this Investment Statement. You should seek independent professional tax advice before investing or withdrawing.

Tax applying to Portfolio Investment Entities

The Scheme is a Portfolio Investment Entity ("PIE"). This allows tax to be paid on your behalf.

Calculation and payment of tax

The Trustee will calculate and pay tax on your behalf at one of the following prescribed investor rates (PIR):

- 19.5% if you are a New Zealand resident and your taxable income (other than PIE income) was \$38,000 or less in either of the two income years immediately before the tax year in question. From 1 April 2009 your combined taxable income and PIE income must have been \$60,000 or less in either of the two income years immediately before the tax year in question.
- 33% (reducing to 30% from 1 April 2008) for all other individuals and non-residents and for Members who fail to advise their IRD number or prescribed investor rate.

You will be required to provide us with your IRD number and tell us the correct PIR to use. You will also need to tell us if your PIR changes. If you do not advise us of any change you may end up paying too much tax on your investment or may have an obligation to pay any tax shortfall, interest and penalties and may be required to file a return. Where tax has been overpaid as a result of you submitting an incorrect PIR, the overpaid tax cannot be recovered.

Withdrawals are tax free except (potentially) as outlined under "Fund Withdrawal Tax" below. However, upon a full withdrawal of your investment, any tax liability on income allocated to you will be met by way of cancellation of units. If you partially withdraw and leave units equal to or insufficient value to cover the accrued liability this will be deemed a full withdrawal. We may also consider potential future market movements when determining whether the remaining units are of insufficient value.

We will deduct the tax liability on income allocated, or pay rebates to Members at the end of each tax year by cancelling or issuing units.

The tax paid on income attributed to you by the Scheme will be a final tax (unless you fail to advise a correct PIR) so no obligation to file a tax return for your investment in the Scheme will generally arise. Income from the Scheme attributed to you will also have no impact on your family assistance eligibility, student loan repayment obligations or child support payment obligations.

Fund Withdrawal Tax (FWT)

Where withdrawals are sourced from contributions made by a Member's Employer (or from contributions the source of which cannot be determined) the Trustee may (unless an exemption applies) be required to pay fund withdrawal tax which will be additional to income tax at your prescribed investor rate of up to 5% of the amount withdrawn ("FWT").

The Trustee will deduct any FWT from the withdrawal benefit or the Member's Account.

FWT will generally not be payable:

- 1 If a Member transfers from one registered superannuation scheme to another;
- 2 If a withdrawal is required to alleviate significant financial hardship or made to purchase an annuity or pension of 10 or more years duration or to purchase or pay certain insured benefits;
- 3 Where a withdrawal is required to settle a property division following the dissolution of a marriage or civil union or the separation of spouses under the Property (Relationships) Act 1976, or any replacement legislation;

- 4 If the withdrawal results from cessation of employment and the Member has been employed for at least 2 years prior to the year of cessation and the rate of employer contributions has not increased significantly;
- 5 If the Member has received earnings and employer superannuation contributions totalling less than \$60,000 per annum in each of the 4 years prior to the year in which the withdrawal is made;
- 6 In respect of employer contributions made prior to 1 April 2000 and any continuing after that date which have not increased as a percentage of salary;
- 7 In respect of any increase in employer contributions made pursuant to a deed or contract entered into prior to 1 April 2000.

In some cases, for exemptions to apply, Members or employers may be required to provide further information in the form required by the Trustee. The FWT legislation is complex and may have different or further consequences from those described in general terms above.

Any "permitted withdrawals" (in terms of the Income Tax Act) from a Locked-in Account if the Locked-in Option is offered are exempt from FWT.

Tax legislation may change. If you have any doubts regarding your individual tax position you should seek professional tax advice.

Tax treatment of investments

Gains or losses made on the disposal of shares in New Zealand resident companies or Australian resident companies listed on an approved index of the Australian Stock Exchange ("ASX") other than stapled securities and certain Australian unit trusts will not be taxable or deductible. The PIE regime is designed to pass through these benefits to you where the Scheme invests in unit trusts or other superannuation schemes that are PIEs.

International shares and offshore funds (other than Australian resident companies listed on an approved index of the ASX and certain Australian unit trusts) held by the Scheme will be taxed at a Fair Dividend Rate ("FDR") of 5% of their average daily market value. Dividends received by the Scheme are non-taxable but foreign tax credits may be available to offset tax payable.

International shares and offshore funds offering guaranteed or fixed rate returns or that are 80% or more invested in New Zealand issued debt securities, or 80% or more hedged to New Zealand dollars or determined by Inland Revenue to be debt in economic terms are taxed under the comparative value method, ie annual change in market value plus distributions.

Debt securities are taxed under the financial arrangement rules on an accrual basis (mark to market).

Tax Assets

There are no tax assets included in the unit pricing for the Scheme.

Tax legislation may change. If you have any doubts regarding your individual tax position you should seek professional tax advice.

The above comments in relation to tax are general comments only based on current law at the date of issue of this Investment Statement. None of the Promoter, Administration Manager, Trustee or any other person accepts any responsibility for the impact of taxation liabilities on Members.

What are my risks?

It is reasonably foreseeable that you will receive less than your contributions if you cease to be a Member a short time after joining. Although it is unlikely over the long term, it is possible that at any time the balance of your Basic Account, Voluntary Account and Salary Sacrifice Account (if applicable) and the portion of your Locked-in Account (if any) reflecting the contributions you (rather than your Employer) have made to that account will be less than the amount you have contributed.

It is also possible that you might not receive the benefits outlined in "What returns will I get?" on page 6. This might occur because of:

- unfavourable investment returns for the portfolio(s) you selected;
- adverse market conditions;
- the effects of fees or taxation;
- any agreement in respect of a portfolio not being met;
- changes to legislation (including tax legislation) that may impact after tax returns;
- your bankruptcy or your becoming unable to manage your affairs (though you are not permitted to assign, charge, alienate or borrow against any of your benefits);
- you owing the Trustee any money including contributions;
- future changes in legislation affecting your benefit entitlements, or your entitlement to member tax credit contributions;
- the termination of your Employer's participation in the State Sector Retirement Savings Scheme;
- the winding up of the State Sector Division; or
- the winding up of the Scheme.

There is a risk that we will over or under pay tax within the Scheme on your behalf because you have provided us with the wrong PIR or you have not advised us to change your PIR when it needed to be changed. In the event of an underpayment of tax you will be obliged to pay additional tax (and potentially penalties or interest) to Inland Revenue. Where tax has been overpaid as a result of your submitting an incorrect PIR, the overpaid tax cannot be refunded.

Other circumstances, such as your becoming bankrupt, or our being served with a court order under the Property (Relationships) Act 1976 requiring us to release some of your interest in the Scheme, may also impact on your returns.

There is also a risk that the Scheme may lose PIE status and upon this happening, the Scheme will revert to being taxed as a superannuation scheme at 33% (reducing to 30% from 1 April 2008).

Your benefits may also be affected if you suspend your contributions, as fees will continue to be deducted.

You will not be required to pay more money in respect of the Scheme than is disclosed under the heading 'How much do I pay?' on page 3, and under the heading 'Consequences of Insolvency and Winding Up the Scheme' below.

If however, as a result of your providing the Trustee with the wrong PIR or not advising a change to that rate when it needs to be changed you could be liable to Inland Revenue in respect of any tax shortfall, interest and penalties in respect of the underpayment (refer to "Tax applying to Portfolio Investment Entities" on page 9).

Additionally, in the event that the value of the units you hold in a Portfolio is insufficient to meet any tax liability relating to your interest in the portfolio, the Administration Manager may seek to recover any shortfall from you to meet the tax obligation the Administration Manager is required to discharge on your behalf.

Consequences of Insolvency and Winding Up the Scheme

If the Scheme is wound up, as a Member you will not be personally liable in respect of any debt or liability of the Scheme beyond your interest in the Scheme. Your liability will be limited to the amount held in your Accounts.

If the Scheme is wound up or put into liquidation, the following claims on the assets of the Scheme will rank ahead of the claims of Members:

- any outstanding expenses or liabilities of the Scheme;
- any claims preferred at law;
- tax; and
- the costs of winding up the Scheme.

After allowing for the above, the Commissioner will invite you, subject to the restrictions outlined below in relation to any Locked-in Balance, to transfer your Member's Balance, less your proportionate share of any termination or wind-up costs and any tax at your prescribed investor rate to a Transferee Scheme, and the Trustee will give effect to any transfer you elect. If you do not elect to transfer to a Transferee Scheme, the Trustee will pay you your Member's Balance (excluding any Locked-in Balance) less your proportionate share of any termination or wind-up costs and any tax at your PIR.

Where your Employer's participation in the State Sector Division terminates or the State Sector Retirement Savings Scheme itself is wound up, you will be invited again, subject to the restrictions outlined below in relation to any Locked-in Balance, to transfer your Member's Balance less your proportionate share of any termination or wind-up costs and any tax at your prescribed investor rate to a Transferee Scheme and the Trustee will give effect to any transfer you elect. If you do not elect to transfer to a Transferee Scheme, you can (subject to the appropriate disclosures being made to you) transfer your Member's Balance less your proportionate share of any termination or wind-up costs and any tax at your PIR (but not your Locked-in Balance) to the Personal Division and become a Member of AXA Personal Superannuation. If you do not transfer to the Personal Division, you will remain a Member of the State Sector Division.

If you remain a Member of the State Sector Retirement Savings Scheme the terms of your Membership will be as set out in this Investment Statement except that you cannot make any further contributions (other than voluntary contributions), your Employer's consent will no longer be required to pay benefits, and any references to the "Commissioner" will be read as references to you.

Additional restrictions will apply to your Locked-in Balance, if any. If one of the above events occurs, or if the Government Actuary revokes the Scheme's approval as a complying superannuation fund, you can only transfer your Locked-in Balance to a Transferee Scheme if:

- (a) the Transferee Scheme is a KiwiSaver Scheme, the trustee(s) of that scheme consent to the transfer, and the requirements of the KiwiSaver Act 2006 are met; or
- (b) the Transferee Scheme is a "complying superannuation fund" and the trustee(s) of that scheme consent to the transfer and confirm to the Trustee that the amount transferred will be subject to the complying fund rules in that Transferee Scheme.

If you do not transfer to a Transferee Scheme on that basis then the Trustee will notify the Commissioner of Inland Revenue that your relevant Locked-in Balance must be transferred to a KiwiSaver scheme in accordance with the "default" allocation principles prescribed in the KiwiSaver Act 2006. The relevant portion of the Locked-in Balance will be dealt with in accordance with the KiwiSaver Act 2006.

As a Member of the Scheme your claim on the assets of the Scheme has the same priority as other Members' claims.

Can the investment be altered?

Changes to Contributions

You can increase or decrease the rate of your contributions, provided that you maintain the minimum rate required and elect a rate which is a whole multiple of 0.5% of your Salary (if you are receiving a Salary) or a whole multiple of NZ\$ 10 (if you are not receiving a Salary). To make a change, you need to give written notice to your Employer (if you are receiving a Salary) or to us (if you are not contributing direct from your Salary). The change will take effect as soon as your Employer notifies us (if applicable) and as soon as we can practicably implement the change.

You cannot change your contribution rate more than twice in each financial year of the Scheme unless we agree.

Suspension of Contributions

You may suspend your contributions, either indefinitely or for such period you elect. However, if you are a post-June 2007 Employee, you cannot suspend your contributions for longer than five years in any one election.

If your Employer commences making compulsory contributions to a KiwiSaver scheme for your benefit, you will be deemed to have elected to suspend your contributions to the Scheme for the lesser period of 5 years and the period while those compulsory employer contributions continue (unless you notify your Employer otherwise in writing).

Portfolio Switching

You can switch portfolios up to twice in any financial year of the Scheme. You cannot switch more than twice in any financial year unless we agree.

You have two switching options:

- 1 directing future regular contributions to other portfolio(s); and
- 2 moving part or all of your Accounts to other portfolio(s).

You must give us at least seven days' written notice of a switch, unless we and the Commissioner agree to accept a shorter period of notice. We can set and change from time to time a minimum value that may be switched or that must remain in a portfolio following a switch (unless the entire portfolio value is switched). As at the date of this Investment Statement there is no such minimum value. We can also set a maximum for the number of portfolios you can choose, although as at the date of this Investment Statement there is no such maximum.

If we allow you to switch your portfolio three or more times in any financial year of the Scheme, we may impose a fee for those switches (see page 5). From time to time we may impose other terms and conditions on switching.

Investment Portfolios

We may vary the fund managers, investment objectives, policy, guidelines, benchmarks and procedures of any portfolio from time to time. Further information on each investment portfolio is available at any time by contacting us.

Alterations to the Scheme

Together, we and the Trustee may amend the Trust Deed (although we require the Commissioner's consent for changes which relate to the State Sector Retirement Savings Scheme rather than the general provisions for the Scheme as a whole). However, no amendment can be made to the Trust Deed without your written consent if it would adversely affect the benefits attributable to your Membership of the Scheme up to the date of

the amendment, and no amendment can be made which would result in any of section 84B (a) to (g) of the State Sector Act 1988 ceasing to apply to the State Sector Retirement Savings Scheme.

We may agree with the Commissioner to make additional investment portfolios available at any time. We may close (to any or all Members) or wind up an investment portfolio at any time upon notice to the Trustee.

If an investment portfolio is closed to you or wound up, no future Member and Employer contributions can be directed to that investment portfolio for your benefit.

If we close or wind up a portfolio, we must offer to you, in that portfolio's place, the investment portfolio we have established which in our opinion most closely corresponds to the portfolio which we have closed or wound up ("the substituted portfolio").

You will be notified of the closure or wind up and asked how you want to change any investment portfolio choice that may be necessary.

For closed portfolios, the notice of closure may specify a replacement investment portfolio to which future contributions will be directed, pending receipt of your instructions.

For wound up portfolios your interest in that portfolio will be transferred to the substituted portfolio unless you elect another portfolio.

Winding Up the Scheme

The Scheme can be wound up if we so decide, with the consequences described on page 11.

Winding Up State Sector Division

The State Sector Division may be wound up if:

- the Trustee or the Commissioner gives notice to all Employers (in the case of the Trustee) or to us (in the case of the Commissioner);
- we cannot agree with the Commissioner on any fee variation;
- we or the Trustee breach our obligations under the Trust Deed and do not remedy those breaches within seven days of being given notice to do so;
- there is a change of shareholding or other event which will result in a change of control of us or the Trustee (unless the Commissioner has previously agreed in writing not to exercise his or her wind up entitlement in respect of that change);
- the Commissioner has reasonable grounds to believe that there are circumstances which detrimentally affect or will detrimentally affect the financial viability of the Scheme, the Trustee or us; or
- the Scheme loses its registration.

Termination of participation by an Employer

An Employer may terminate their participation in the State Sector Retirement Savings Scheme by giving notice to us.

How do I cash in my investment?

You cannot withdraw from the Scheme unless:

- you are entitled to a benefit that would entitle you to withdraw your non Locked-in Member's Balance or your Locked-in Balance (if any), or both, as applicable;
- you are entitled to transfer to a Transferee Scheme;
- your Employer terminates its participation in the Scheme;
- the State Sector Division is wound up; or
- the Scheme is wound up.

You should contact us to request a Benefit Notice if you are entitled to a benefit (see page 7).

Transfer

To the extent that the State Sector Retirement Savings Scheme remains open to new members you can transfer part or all of your Member's Balance at any time to another State Sector Retirement Savings Scheme in which you participate (with the consent of the trustee of the other scheme). Transfers between State Sector Retirement Savings Schemes will be prohibited from 1 April 2008 for all persons except employees of the Boards of Schools (for whom such transfers will be prohibited from 1 October 2008). In addition, if you are entitled to a benefit for partial retirement, attaining New Zealand Superannuation Qualifying Age, Serious Illness/Total and Permanent Disablement, attaining age 50 and leaving the State Sector (or would qualify for that benefit if you had attained age 50) or to make a teaching service member withdrawal (see page 7) you may transfer your Member's Balance to a Transferee Scheme with the consent of the trustee of that other scheme.

You may, at any time, transfer your Member's Balance to a KiwiSaver scheme with the consent of the trustee of that scheme.

You can only transfer part or all of your Locked-in Balance, if any, in these circumstances if:

- (a) the Transferee Scheme is a KiwiSaver scheme, the trustee(s) of that scheme consent to the transfer, and the requirements of the KiwiSaver Act 2006 are met; or
- (b) the Transferee Scheme is a "complying superannuation fund" and the trustee(s) of that scheme consent to the transfer and confirm to the Trustee that the amount transferred will be subject to the complying fund rules in that Transferee Scheme.

In addition, while the "complying fund rules" definition in the Income Tax Act requires such transfers, if you are not entitled to a transfer under the standard terms of the Scheme and request such a transfer, the Trustee will transfer all or part of your Locked-in Balance to a KiwiSaver scheme or a complying superannuation fund (provided conditions (a) and (b) above are met).

Forfeiture of Benefits

If you:

- become bankrupt; or
- are considered by the Trustee to be of unsound mind or unable to manage your affairs then to the extent (if any) permitted at law, you will forfeit your entitlement to benefits under the Scheme (with the exception of any Locked-in Balance, which cannot be so forfeited) and any such benefit will be applied for the benefit of you and/or your dependants as the Trustee determines.

If at any time we offer you any insurance and there are insufficient funds in your Accounts to meet the cost of cover under any insurance options the insurance cover will cease.

Right to Sell the Security

You do not have the right to sell your interest in the Scheme to another person or to assign, charge, alienate or borrow against your interest in the Scheme.

Termination of Membership

If we reasonably believe that your membership may contribute to the Scheme being de-registered as a registered superannuation scheme, we may terminate your membership. You will receive a benefit equal to your Member's Balance (provided that your Locked-in Balance, if any, will be treated in the same way it would if your Employer ceased to participate in the Scheme (see page 11 under the heading "Consequences of Insolvency and Winding Up the Scheme").

Winding Up the Scheme

As noted above, the Scheme can be wound up if we so decide. In this event you will receive the amounts detailed under the heading "Consequences of Insolvency and Winding Up the Scheme" on page 11.

Who do I contact with enquiries about my investment?

Please contact a Customer Services Officer at the AXA Customer Services Centre at:

AXA Customer Service Centre
 AXA New Zealand
 80 The Terrace
 PO Box 1692
 Wellington 6140

 Phone: 0800 ASPIRE (0800 277 473)
 Email: askus@axa.co.nz

Is there anyone to whom I can complain if I have problems with the investment?

If you have any problems or complaints please contact a Customer Services Officer at the AXA Customer Service Centre on 0800 ASPIRE (0800 277 473) or at:

AXA New Zealand
 80 The Terrace
 PO Box 1692
 Wellington 6140

 Email: askus@axa.co.nz

You can also contact the Trustee at:

New Zealand Permanent Trustees Limited
 141 Willis Street
 PO Box 5067
 Wellington 6145

If the matter remains unresolved and AXA New Zealand has issued a Notice of Deadlock, you may then refer the matter to the Insurance and Savings Ombudsman, who provides an independent and impartial complaints investigation service. The Ombudsman may be contacted at:

The Insurance and Savings Ombudsman
 BDO House
 99-105 Customhouse Quay, PO Box 10845
 Wellington 6143
 Phone (04) 499 7612 or 0800 888 202
 Email: iombudsman@clear.net.nz

What other information can I obtain about this investment?

Prospectus and Financial Statements

Other important information about the Scheme and the securities referred to in this Investment Statement can be found in the current registered prospectus (which contains an offer in respect of the securities referred to in this Investment Statement) and in the financial statements of the Scheme. A copy of the current registered prospectus and the most recent financial statements can be obtained free of charge from us.

The prospectus and financial statements are filed on a public register and are available for public inspection (upon payment of any prescribed fee) on the website of the Companies Office of the Ministry of Economic Development (www.companies.govt.nz) or by telephoning the Companies Office Contact Centre on 0508 266 726 and quoting file reference "1802117".

Annual Information

Each year you will receive a personalised annual member statement which gives you an update of the current status of your State Sector Retirement Savings Scheme benefits and the amount of income allocated to you at your prescribed investor rate. You will also be asked to confirm your prescribed investor rate annually.

A copy of the Trustee's Annual Report will be forwarded to you following the end of each financial year of the Scheme.

On Request Information

You can obtain (as a member or a prospective member) the following information free of charge by calling the AXA Customer Service Centre on 0800 ASPIRE (0800 277 473):

- an estimate of your benefits under the Scheme;
- a copy of the most recent prospectus and any associated documents;
- a copy of the most recent Annual Report and financial statements of the Scheme, including any associated documents;
- a copy of the most recent Investment Statement; and
- if you received prospective information about returns or prospective financial information about the Scheme, a comparison of actual returns against prospective returns or actual results against prospective financial information.

You can also obtain more information on-line at statesector.axa.co.nz where you can:

- view your Member's Balance;
- make changes to your contact details; and
- view your investment portfolio balance(s).

You can also view or obtain a copy of the Trust Deed (a reasonable fee may be charged for a copy).

