

22 March 2018

Britannia Retirement Scheme

**ADDITIONAL
OTHER MATERIAL INFORMATION**

THE LIFETIME INCOME FUND

Issuer Britannia Financial Services Limited

TABLE OF CONTENTS

1	GENERAL INFORMATION	1
2	THE LIFETIME INCOME FUND	2
3	INSURER OF THE LIFETIME INCOME FUND	11
4	FURTHER INFORMATION ON FEES	12
5	ADDITIONAL RISKS	13

1 GENERAL INFORMATION

This is an important document in relation to investing in the Lifetime Income Fund (**Fund**) of the Britannia Retirement Scheme (**Scheme**). It should be read together with the Product Disclosure Statement (**PDS**), the Statement of Investment Policy and Objectives (**SIPO**), the Other Material Information provided for the Scheme and any documents held on the Disclose Register at companiesoffice.govt.nz/disclose (**Disclose**).

This document only provides information that specifically relates to membership of the Lifetime Income Fund.

Except as otherwise explained in this document, Fund members' funds are invested in the same way as investments are made in the Scheme's Moderate Fund investment option and will, therefore, be subject to the same investment risks.

In this document:

- the words "you" or "your" refer to you and to other persons who apply for units in funds that make up the Britannia Retirement Scheme or who are allotted units in the funds;
- the words "we", "us", "our" refer to Britannia Financial Services Limited, the licensed manager of the Scheme; and
- when we use the word "current", "currently" or "generally", in relation to legislation, policy, activity or practice we refer to these as at the date of this document. Any legislation, policy, activity or practice may be reviewed or changed without us notifying you.

This document has been prepared to meet the requirements of section 57(1)(b)(ii) of the Financial Markets Conduct Act 2013 (**FMCA**) and components of clause 52 of Schedule 4 of the Financial Markets Conduct Regulations 2014 (**FMC Regulations**).

No person or company guarantees the payment of funds payable by the Scheme or Lifetime Income Limited.

2 THE LIFETIME INCOME FUND

This Fund turns your investment into a regular income for life (your **Retirement Income**), payable even if your original savings in the Fund run out. It does this by investing your savings in a diversified portfolio and insuring your Retirement Income with Lifetime Income Limited, an insurance company licensed by the Reserve Bank of New Zealand (**RBNZ**).

In a general sense, this fund invests your savings in a similar way to the other investment options provided by the Scheme. From the later of age 60 or the age you become eligible to begin making withdrawals (up to age 90), you can, at any time, direct us to start making regular Retirement Income payments from the Fund to you for life. The payments you will receive regularly (fortnightly or four weekly) from the Fund will be determined by your Protected Income Base (**PIB**), explained below under the heading 'Payment Rates'), the age you choose to start receiving your Retirement Income and whether you have made any withdrawals from your investment in the Fund.

You have two choices as to how you take your Retirement Income (**Lifetime Withdrawal Benefit**). You can elect to receive your payment rate either:

- a) as a fixed percentage of your PIB (based on your age when you elect to commence your Retirement Income) or
- b) as a percentage of your PIB (based on your age when you elect to commence your Retirement Income) which will vary annually in line with the Consumer Price Index.

If you choose option (b) your initial payments will commence at a lower level than option (a) but will almost certainly increase over time to keep pace with the Consumer Price Index.

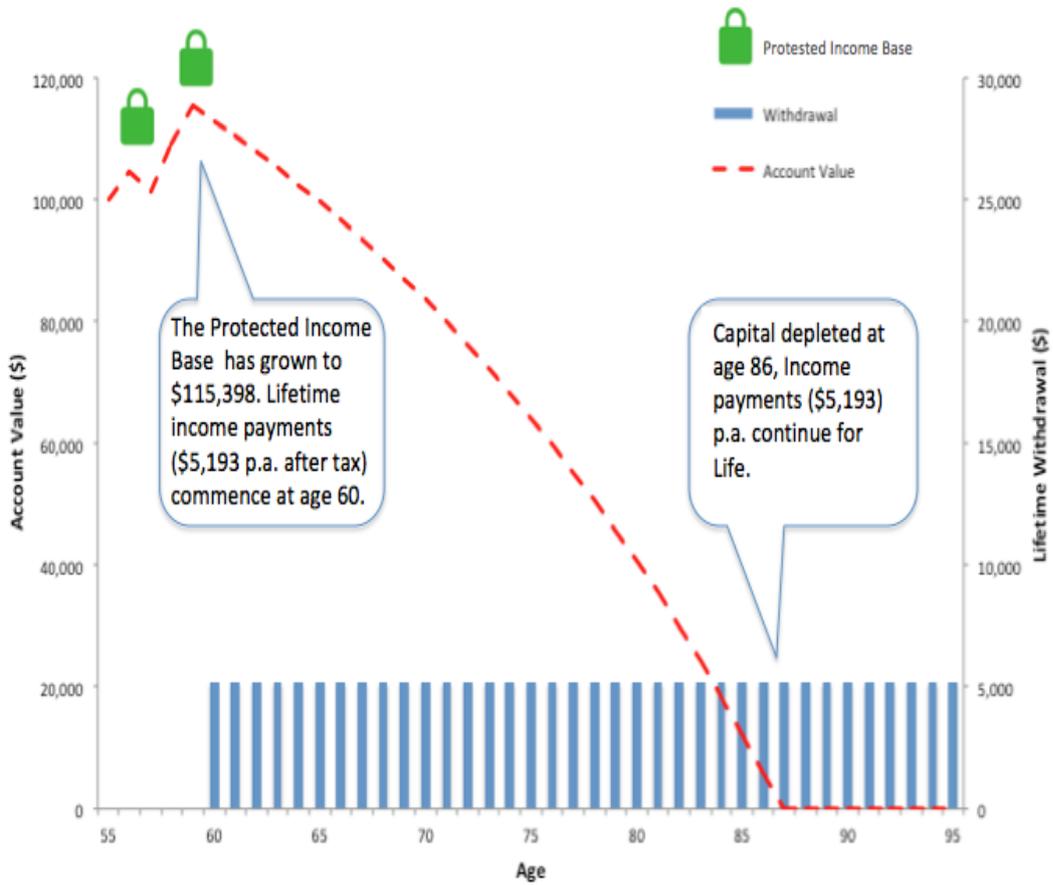
The Retirement Income is paid firstly from your savings in the Fund (the **Protected Income Phase**), then, if these savings are exhausted, Lifetime Income Limited, will continue to fund your regular payments for the rest of your life (the **Insured Income Phase**). If your investment in the Fund is not fully depleted in your lifetime, any of your savings held in the Scheme will be paid to your estate.

Each of the Retirement Income phases are described below.

Protected Income Phase	Insured Income Phase
<p>Your Protected Income Phase begins on the date of the first payment of your Retirement Income and continues until your balance in the Fund falls to zero. Payments made during this phase are made from your investment funds held in the Fund.</p>	<p>Your Insured Income Phase begins on the date your balance in the Fund falls to zero. Payments made during this phase are administered by the Scheme, but are payable to you by the Fund's insurer, Lifetime Income Limited.</p>

Example – How the Fund works

Tim invests in the Fund at age 55 with an initial investment of \$100,000. He cannot start receiving his Lifetime Withdrawal Benefit until age 60 and chooses to do so. This graph shows Tim’s regular Lifetime Withdrawal Benefit payments and investment movements over his life.



Note: This graph is for illustration purposes and shouldn't be regarded as a forecast of your investment or future performance or income payments. An assumption of 6.25% gross return (before fees, taxes and insurance premiums have been deducted) has been made over future investment return. Fees, taxes and insurance premiums are as stated in the PDS. Different assumptions will produce different outcomes. For example, if the investment returns are higher than those used in the graph it will take longer for the account balance to run out. Conversely, if the investment returns are lower the account balance will run out earlier.

Age	Description
55	Tim made his initial investment of \$100,000 in the Fund. He chooses to start his Retirement Income at aged 60. His PIB at age 55 was \$100,000. We review Tim's PIB annually. Given the net positive investment returns over five years Tim's PIB has grown to \$115,398 at age 60.
60	Tim's PIB has increased to \$115,398, which is used to calculate his Retirement Income. At age 60, his Lifetime Withdrawal Rate is 4.50% per-annum of his PIB. Tim's Retirement Income is \$5,193 per year (\$115,398 x 4.50%) or \$199.73 per fortnight.
86	Tim's initial investment has run out, but he'll continue to receive his Lifetime Withdrawal Benefit until he dies because his Lifetime Withdrawal Benefit is insured.
94	After a long life, Tim passes away. Tim's initial investment and additional contributions ran out at age 86. However, because his Retirement Income is insured Tim continued to receive \$199.73 each fortnight for the following nine years (or \$46,737) after his initial investment ran out.

Payment rates

When you invest in this Fund, a PIB is established. Your PIB is used to determine your Retirement Income. Initially, your PIB is your total investment in the Fund. On each anniversary of your initial investment, we'll check whether your balance in the Fund exceeds your PIB. If it does, we'll increase your PIB to your current balance in the Fund. This means your PIB may rise due to positive investment returns or if you make additional contributions to the Fund. Because your PIB is insured it will never fall unless you make a withdrawal.

Fixed percentage option

This table shows the payment rates of the Retirement Income for the fixed percentage payment option (**Fixed Option**). These payment rates depend on the age you elect to begin receiving your Retirement Income payments.

Age at the first Retirement Income payment	Fixed Retirement Income payment rate (Percentage of your PIB paid for life)
60	4.50% pa
61	4.60% pa
62	4.70% pa
63	4.80% pa
64	4.90% pa
65	5.00% pa
66	5.10% pa
67	5.20% pa

Age at the first Retirement Income payment	Fixed Retirement Income payment rate (Percentage of your PIB paid for life)
68	5.30% pa
69	5.40% pa
70	5.50% pa
71	5.60% pa
72	5.70% pa
73	5.80% pa
74	5.90% pa
75	6.00% pa
76	6.10% pa
77	6.20% pa
78	6.30% pa
79	6.40% pa
80	6.50% pa
81	6.60% pa
82	6.70% pa
83	6.80% pa
84	6.90% pa
85	7.00% pa
86	7.10% pa
87	7.20% pa
88	7.30% pa
89	7.40% pa
90	7.50% pa

Indexed Option

You also have the option of having your regular Retirement Income payments indexed in line with movements in the Consumer Price Index (**Indexed Option**). If you do so indexation will be applied to your regular payment amount on each anniversary date from when you started taking your Lifetime Withdrawal Benefit and your payment amounts will be adjusted for inflation following each review. Your initial Retirement Income payments will commence at a lower level than you would have been entitled to under the Fixed Option, but generally increase over time.

If you want to consider the Indexed Option you can, from age 60, ask Lifetime (through us) to assess your Indexed Option rate.

Lifetime will then calculate your Indexed Option rate and you will be advised what that is. That rate may be subject to conditions – for example, it may expire if it has not been selected by a specified date.

On being advised of your Indexed Option rate, you may:

- select the Indexed Option (subject to any applicable conditions),
- select the Fixed Option, or
- continue to defer your Lifetime Withdrawal Benefit.

If you select the Indexed Option or the Fixed Option, that selection will be binding on both you and Lifetime, and cannot be revoked without both parties consent.

In no case will your enquiry for an assessment of your Indexed Option rate oblige you to select the Indexed Option.

Lifetime reserves the right to decline to assess an Indexed Option rate for you, at its discretion.

Switches

If you switch out of the Lifetime Income Fund you will receive no benefit from any Retirement Income insurance premiums paid. The amount eligible for switching will also be limited to your account balance not your Protected Income Base.

Partial and full withdrawals

Once eligible, you may make a full or partial withdrawal from your investment in the Fund at any time. Each partial withdrawal will reduce your PIB and therefore your Retirement Income.

The maximum aggregate amount of all partial withdrawals you can make is limited to 20% of your current PIB at the time of making a withdrawal. If you ask for a partial withdrawal that exceeds this limit, we will either decline it or process it as a full withdrawal, in our discretion.

If we process a full withdrawal, the total value of your investment in the Fund will be paid to you (less applicable fees, expenses and taxes) and your right to Retirement Income payments will cease.

Death

If you die before you have started receiving your Retirement Income payment or during your Protected Income Phase (this is the phase when you are drawing on the value of your investment in the Fund before insurance is drawn on), the balance of your investment in the Fund will be paid to your estate.

If you die during the Insured Income Phase (when you are drawing on the Insurance because you have no investment balance in the Fund), no amount will be paid to your estate and your Retirement Income payments will cease.

In either case, no further Retirement Income payments will be made to any person.

Your income insurance

The Insured Income Phase of your Retirement Income is funded by payments to be made from Lifetime Income Limited, under and subject to the terms and conditions of the Scheme's group insurance policy.

In this phase of your Retirement Income, the Scheme will continue to administer your Retirement Income payments and will pay to you amounts received by it under the group insurance policy from the Fund's insurer, Lifetime Income Limited.

The Insured Income phase of your Retirement Income is therefore dependent on Lifetime Income Limited making the insured income payments. This depends on:

- Lifetime Income Limited being obliged to make the payments under the Scheme's group insurance policy.

- Lifetime Income Limited being able to make the payments it is obliged to make under the Scheme’s the group insurance policy. Lifetime Income Limited is a separate legal entity from the Scheme, the Supervisor and us. It (not the Scheme, the Supervisor or us) is solely responsible for meeting all insured obligations to Lifetime Income Fund members under the group insurance policy. Lifetime Income Limited's ability to make these payments is dependent on its financial strength and claims-paying ability.

The group insurance policy gives Lifetime Income Limited the right to vary the premiums for both new and existing members. Lifetime Income Limited also has the right to cancel the policy in certain circumstances.

Neither we, the Scheme nor the Supervisor are responsible to members for Lifetime Income Limited performing its insurance obligations. None of the Scheme, the Supervisor or us guarantee that Lifetime Income Limited will meet its obligations under the Scheme’s group insurance policy. If the Scheme for any reason does not receive insurance payments from Lifetime Income Limited, none of the Scheme, the Supervisor or us shall be under any obligation to make Insured Income Phase payments to members.

That noted, Lifetime Income Limited is required to have a Financial Strength Rating (**FSR**) given by an approved ratings agency. Lifetime Income Limited has been issued with the following ratings by A.M. Best:

- Financial Strength Rating of **B-**
- Long-Term Issuer Credit Rating of **bb-**

These ratings reflect the fact that Lifetime Income Limited is a new insurer with no pre-existing business. The rating scales are shown in following tables. A more detailed explanation of the ratings and scales is available at ambest.com/ratings/ubcr.pdf

A.M. Best FSR Scale	
A++, A+	Superior
A, A-	Excellent
B++, B+	Good
B, B-	Fair
C++, C+	Marginal
C, C-	Weak

A.M. Best FSR Scale

D	Poor
E	Under Regulator Supervision
F	In Liquidation

A.M. Best Long-Term Issuer Credit Rating Scale

aaa, aaa-	Exceptional
Aa, aa+ / aa-	Superior
a, a+ / a-	Excellent
bbb, bbb+ / bbb-	Good
bb, bb+ / bb-	Fair
bb, bb+ / bb-	Marginal
ccc, ccc+ / ccc1	Weak
cc	Very weak
c, c-	Poor

A copy of the Fund's group insurance policy is available on the Offer Register at companiesoffice.govt.nz/disclose.

Discontinuance of insurance policy

The insurance policy with Lifetime Income Limited may be discontinued.

Under the terms of the policy and our agreement with Lifetime Income Limited, the policy may be discontinued:

- on us giving Lifetime Income Limited 180 days' notice that the insurance policy is to be discontinued. This could happen if we close the Fund to new members.

- on Lifetime Income Limited seeking to increase the insurance premiums and us not agreeing to those increases. In this case, we can give 180 days' notice that the insurance policy is to be discontinued.
- if the Agreement under which the Policy is provided is not renewed on expiry.

The Agreement has an initial term of five years. We have a right of renewal for three further five year periods. Thereafter, renewal is by agreement between us and Lifetime Income Limited.

If the policy is terminated, not renewed or discontinued:

- no new members can join the Fund and be covered by the policy.
- Lifetime Withdrawal Benefits available under the policy prior to the date of termination, non-renewal or discontinuance will continue on their existing terms, provided any premiums due continue to be paid.

3 INSURER OF THE LIFETIME INCOME FUND

Lifetime Income Limited is the insurer responsible for the Insured Income Phase payments to be made. It is a life insurance company licensed by The RBNZ under the Insurance (Prudential Supervision) Act 2010.

As a licensed life insurance company, Lifetime Income Limited is subject to prudential and other regulatory requirements that are designed to minimise the risk of Lifetime Income Limited failing.

Lifetime Income Limited:

- is New Zealand's first approved provider of variable annuity business under RBNZ's Standard for Variable Annuity Business 2015. Under the Standard, it must submit an independent review of its risk management to RBNZ at least every three years.
- must meet RBNZ's minimum solvency standards on a continuous basis with six monthly RBNZ reporting and disclosure obligations.
- must maintain a minimum level of capital. This must be in excess of either \$5,000,000 or the (risk-based) calculated minimum solvency capital requirement - whichever is higher.
- is required to operate at least one statutory fund to which members' insurance is referable to.

The policyholder is The New Zealand Guardian Trust Company Limited as Supervisor of the Scheme.

4 FURTHER INFORMATION ON FEES

Insurance charges

If you've chosen to invest in the Fund you'll pay an insurance premium for the insurance cover provided by Lifetime Income Limited. The current insurance premium is 1.20% of your Protected Income Base. The premium is not refunded when you make a withdrawal.

Lifetime Income Limited sets the premium based on a variety of factors, including the cost of providing the insurance policy and the cost of setting aside capital to meet RBNZ solvency requirements.

We'll notify you of any premium changes.

No premium increases will apply to you if you're in your Insured Income Phase.

5 ADDITIONAL RISKS

In addition to the risks disclosed in the PDS and the general Other Material information document, none of the Scheme, the Supervisor or us are responsible for providing your Insured Income Phase payments if, for any reason, insurance payments are not received from Lifetime Income Limited.

The insurance fails

Lifetime Income Limited is solely responsible for providing your Retirement Income payments during your Insured Income Phase. Neither Britannia nor the Supervisor has any responsibility for funding those payments. There's a risk Lifetime Income Limited, the insurer, won't be able to honour its insurance obligations.

If this occurs, all Retirement Income payments (and any future rights to receive such payments) will cease and any remaining balance you have in the Fund will be transferred to the Moderate Fund.

The terms of the insurance policy are changed

Lifetime Income Limited can seek to change the terms of the group insurance policy in certain circumstances – for example, where there is a law change that materially and detrimentally affects the tax treatment of premiums. Any such changes could adversely affect the scope of the insurance policy's coverage.

The circumstances in which the terms of the group insurance policy can be changed, and the process for making those changes, is set out in the group insurance policy document available on the Offer Register at companiesoffice.govt.nz/disclose.

We may have to increase fees

We reserve our right to increase fees at any time. It's difficult to quantify how much fee increases could be, but they may be material.

We must publish a fund update for the Lifetime Income Fund showing the fees actually charged during the most recent year. Fund updates, including past updates, are available at companiesoffice.govt.nz/disclose.