



AIA House,
74 Taharoto Road,
Takapuna,
Auckland 0622
-
Private Bag 92499,
Victoria Street West,
Auckland 1142

Phone (Int.) +64 9 487 9963
Freephone 0800 500 108
Freefax 0800 329 768
-
enquireNZ@aia.com
aia.co.nz

Vision Retirement Plan Fact Sheet

Profile

Investment type	Unit linked Insurance Savings Plan (formerly a superannuation scheme until 30 September 2016)
Product Commencement	October 1992 (NZI Life)
Product Closure	No longer sold from June 1997. From 1 July 2010 closed for contribution increases or lump sums.
Product Disclosure Statement	A PDS is not required for products which are no longer on sale. Please refer to the last issued Policy Wordings at the end of this document

Tax

Tax	28% tax paid at investment fund level and deducted during unit pricing
PIE status	Not a PIE compliant product. This product only has 'quasi-PIE' status – that is, no tax on capital gains on Australasian equities

Fees and charges

Annual management fee	Deducted from the unit price: 4.35% - Foundation Units (3.25% for the Capital Fund) 1.35% - Accumulator Units (0.25% for the Capital Fund) 1.10% - Extra Accumulator Units (0.25% for the Capital Fund)
Policy/Administration fee	\$6.46 per month (2021) – Fee is CPI indexed annually

Commission

Commission – regular contributions	1.25% (payable by AIA when a contribution is received)
Trail Commission	0.4% p.a. (payable at the end of each month on the cash value of the previous month)

Features

Investment Funds	Choice of 4 funds – 3 diversified funds: Capital Stable, Balanced, Entrepreneurial and a single sector Capital fund (100% cash).
Withdrawals	Fully accessible. Full fund value (less any grace period debit) is payable since the superannuation scheme terminated in 2016.

Investment strategy

Investment Style	Passive
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Hedging	50% on exposure to the SuperLife Overseas Shares Fund, 100% on exposure to the SuperLife Overseas Bond Fund
Fund Manager	AIA
Underlying Funds	Varies by asset class. For details see SuperLife Funds for each Asset Class in the Document Library
Asset Allocation	For information on the asset allocation of available Funds and the FUM fees, see Unit Linked Product Asset Allocations in the Document Library

Date: February 2023

POLICY DOCUMENT

This document is the policy document. It explains what your policy covers. It should be read in conjunction with all the documents that form part of your policy.

1. Introduction

- 1.1. Your policy is a contract between Sovereign Assurance Company Limited ("Sovereign") and the *policy owner* named in the *schedule* ("you" or "your") and governs the provision of investment and insurance benefits for the *life assured* named in the *schedule*.
- 1.2. The terms of your policy are set out and contained in the following documents:
 - > this policy document and any alterations made to it; and
 - > the *schedule* which states who the *policy owner(s)* and *life assured* are, as well as setting out other important information that applies to your policy.
- 1.3. Some words in this document are italicised indicating they are key terms that are defined in section 11 'Definitions'.

2. Your contributions

- 2.1. Your contributions to the policy can be made weekly, fortnightly, monthly or quarterly, half-yearly or annually. You can change the frequency of contributions by contacting Sovereign. There is no charge for changing the frequency of contributions.
- 2.2. Your contributions can be made by direct debit, automatic payment, direct billing (for quarterly, half yearly and annual contribution frequencies only).
- 2.3. The frequency and methods for payment of contributions are those currently allowed for and are subject to change at Sovereign's discretion.
- 2.4. A minimum contribution of \$1,200 per annum applies. You cannot make lump sum contributions except where you make a one-off payment to clear any *grace period debt*, in accordance with clause 8.3.
- 2.5. Increases in the level of contributions can only be made by way of indexation. If you have selected indexation to apply (as shown in the *schedule*), then each year on the anniversary of the *policy commencement date*, you will be asked whether you want the indexation increase to be applied to your contributions. If the indexation increase is accepted then your contributions will be increased by 5% or by the increase in annual *CPI*, whichever is higher. If you decline the indexation increase for two consecutive years it will no longer be offered as an automatic increase.

3. Your plan account

- 3.1 Your contributions are used to purchase units in the investment fund or funds of your choice as advised by you from time to time. (See clauses 4.11 - 4.14 for a description of the available investment funds.) These units are held in your *plan account*.
- 3.2 There are three types of units; foundation, accumulator and extra accumulator. Section 5 provides more details of these types of units and when they can be purchased.
- 3.3 Your *plan account* is subject to monthly *policy fees* as set out in section 6.

4. Investment funds

Management of the funds

- 4.1 Sovereign manages a number of different investment funds. Each fund has its own investment strategy which determines the types and mix of investments which are held in that fund.
- 4.2 Each investment fund holds a proportion of your *plan account's* assets based on the investment mix and amounts invested in that fund. The performance of each fund depends on the returns on the mix of investments for that fund. No one fund is responsible for the performance of another.
- 4.3 The fund's investments are purchased with money received by the fund from you, from income on existing investments and from any proceeds on the sale of investments in the fund. Investments are bought and sold in accordance with Sovereign's investment strategy for the fund.
- 4.4 Sovereign calculates the value of the funds on each business day based on the market value of the underlying investments at the close of the previous business day.
- 4.5 The costs and expenses relating to the management, administration and safekeeping of each investment fund are paid out of that fund. These are called *fund management fees* and are detailed in section 5. In addition to the *fund management fees*, other underlying investment expenses which are not directly charged to you may be deducted from the investment fund assets when determining the *unit price* from time to time. These are called *other expenses*.

4.6. After the deductions referred to above, the value of the fund is divided into units, which represent the investment made by your participation in that fund. Your investment in a fund is the units you hold in the fund only and you have no ownership of the underlying investments which make up the fund. Your rights in respect of your units in the funds are detailed in this policy.

Unit price

4.7. Sovereign works out the price of the accumulator and extra accumulator units in each investment fund on every business day using the formula **A** divided by **B**, where:

A is the value of the underlying investments in the fund after deduction of tax liabilities, the applicable *fund management fees* and *other expenses* as stated in clause 4.5, and

B is the number of units in that fund at the close of the previous business day.

This is called the *unit price*.

4.8. The price of foundation units is calculated by adjusting the accumulator *unit price* for the different level of *fund management fees*.

4.9. *Unit prices* are dependent on economic conditions, investment performance of the underlying investments and on legislation. *Unit prices* may therefore rise or fall depending on these conditions.

4.10. *Unit prices* are declared each business day and will vary over the course of the year.

Available investment funds

4.11. **The Balanced Fund:** adopts a diversified strategy using a combination of asset categories including fixed interest, shares and cash. The fund invests both in Australasia and internationally and is designed to provide growth over the medium to long-term. This fund is exposed to medium to high levels of investment risk.

4.12. **The Capital Fund:** invests mainly in term deposits, registered certificates of deposit and on-call cash with a focus on providing a steady return. This fund is best suited to a low risk approach to investing. Sovereign provides an unsecured warranty to you that the *unit price* of accumulator and extra accumulator units in this fund will not decrease.

4.13. **The Capital Stable Fund:** invests mainly in fixed interest investments with a small proportion in Australasian and global shares. The fund's focus is to provide a steady but competitive return. This investment is best suited to a lower risk approach to investing.

4.14. **The Entrepreneurial Fund:** provides exposure to a mix of Australasian and global assets with a high

allocation to growth assets. This fund is suited to a higher risk (more volatile) investment approach with the potential for higher returns than the other funds.

4.15. Sovereign has the right to add, delete or change the asset allocation of the available investment funds from time to time on notifying you in advance of any such change.

Switching funds

4.16. You can alter the units your future contributions will purchase and/or switch your existing units to a different investment fund or mix of funds up to four times each policy year, by notifying Sovereign. There is no charge for this alteration.

4.17. Foundation units, accumulator units or extra accumulator units in one fund may only be switched to the same type of unit in another fund.

4.18. In exceptional circumstances, Sovereign may refuse or defer an individual switch if it is not in the interest of other policy holders of similar policies.

5. Fund management fees

5.1. The *fund management fees* are designed so that the longer you maintain your investment plan, the lower the *fund management fees* will be.

5.2. At the *policy commencement date* you nominate a *retirement date* which determines the period during which you will pay contributions under the policy. This is called the *funding period*. The *funding period* is the period during which the higher *fund management fees* payable on foundation units apply. A minimum *funding period* of 5 years applies and a maximum *funding period* of 25 years applies.

5.3. Your contributions are used to purchase a combination of three classes of units; foundation units, accumulator units and extra accumulator units. The different classes of units incur different levels of *fund management fees* as noted in the table below. A proportion of these per annum charges is deducted daily when determining the *unit price*.

Unit type	Fund management fee (per annum)
Foundation units	4.35%
Accumulator units	1.35%
Extra accumulator units	1.10%

5.4. The *fund management fees* detailed above for each unit type are the maximum *fund management fees* currently charged and are subject to change. Sovereign has the authority to alter any of the fees described in this section, which will only be exercised reasonably.

Foundation units

5.5. Depending on the *funding period* as shown in the table below; half of all contributions paid are used to purchase foundation units for up to the first two years of the policy in accordance with the table below. The balance of contributions paid is used to purchase accumulator units.

Funding period	Initial contribution period
5 – 9 years	15 months
10 - 14 years	18 months
15 - 19 years	21 months
20 years or more	24 months

5.6. Up until September 2013, contribution increases due to indexation are treated in a similar way to contributions described in clause 5.5 for the first two years of the increased contribution amount. After September 2013, all increases in contributions purchase either accumulator units or extra accumulator units as set out in clauses 5.8 and 5.9.

5.7. Foundation units remain as foundation units for the duration of your *funding period*. At the expiry of your *funding period*, depending on its length, your foundation units will be cashed in and used to purchase either accumulator units or extra accumulator units in the same fund or funds:

- > *funding periods* less than or equal to 15 years: accumulator units
- > *funding periods* greater than 15 years: extra accumulator units.

Accumulator units

5.8. After the initial contribution period detailed in the table in clause 5.5, your contributions will be used to purchase accumulator units for a period equal to 15 years minus the applicable initial contribution period.

Extra accumulator units

5.9. Irrespective of your *funding period*, after 15 years, your accumulator units will be cashed in and used to purchase extra accumulator units in the same fund or funds and all future contributions from that date will purchase extra accumulator units.

6. Policy fee

6.1. A *policy fee* of \$4.35 will be deducted from your *plan account* each month by cashing in the necessary number of accumulator units (or extra accumulator units as the case may be) in your *plan account*. Refer to clause 8.3 which explains what happens if there are insufficient accumulator or extra accumulator units in your *plan account* to meet this cost.

6.2. The *policy fee* may change annually in line with the *CPI*.

6.3. The *policy fee* detailed here is the maximum *policy fee* currently charged and Sovereign has the authority to alter this fee, which will only be exercised reasonably.

7. Withdrawal of investment benefits

7.1. You may withdraw part or all of your investment units for their full value at any time. The maximum amount payable will be the full value of all units held less any *grace period debt* (as noted in clause 8.3).

7.2. If the *life assured* dies before the end of the *funding period*, Sovereign will pay an amount equal to:

$$101\% \times (\text{contributions paid less withdrawals})$$

Partial withdrawals

7.3. Partial withdrawals of up to 90% of your *plan account* less any *grace period debt* are permitted. The minimum partial withdrawal is units to the value of \$500, with a minimum withdrawal of units to the value of \$100 from any particular investment fund.

7.4. The remaining balance in your *plan account* must have units to the value of \$500 with a minimum balance in any particular fund of units to the value of \$100.

7.5. Unless otherwise specified at the time of request, partial withdrawals:

- a) will be taken from units in the fund or funds in the same proportion as the purchasing of units in the funds; and
- b) accumulator units will be cashed in first, then extra accumulator units, then foundation units.

8. Suspension of contributions

8.1. You can apply to Sovereign to:

- a) suspend contributions temporarily; or
- b) permanently cease making contributions.

8.2. During any period where contributions have been temporarily or permanently suspended, your *policy fee* will continue to be deducted from your *plan account* each month by Sovereign cashing in sufficient accumulator units or extra accumulator units (in that order) at the applicable *unit price*.

8.3. If there are insufficient accumulator or extra accumulator units in your *plan account* to cover the *policy fee*, an interest-free debt is created for a period of up to 24 months. This is called a *grace period debt*. If contributions are resumed within this period, the contributions will first be used to clear any *grace period debt* before resuming purchasing units. You can make a one-off payment to clear any *grace period debt* but the debt will begin to accrue again if no regular contributions are received.

8.4. If contributions are not received for 24 months once a *grace period debt* has begun to accrue, your policy will be deemed to be *paid up* which means it is permanently closed to new contributions and the following will occur (in this order):

- > your *grace period debt* will be repaid by cashing in sufficient foundation units (at their full value); and then
- > the balance of your remaining foundation units will be cashed in and converted to accumulator units (at their full value); and then
- > your policy will continue to participate in the performance of your selected investment fund/s until your policy reaches the expiry of your *funding period* or all of your units are cashed in to meet the *policy fee*, whichever occurs first.

9. Termination

9.1. Your policy will be terminated if:

- > you withdraw all of your investment units from your *plan account*; or
- > your *plan account* less any *grace period debt* is less than zero.

10. Miscellaneous

10.1. This policy is part of the 'Sovereign Statutory Fund Number 1', effective 1 July 2013. This is a requirement under the Insurance (Prudential Supervision) Act 2010, for policy holder protection.

10.2. This policy does not participate in the profits of Sovereign.

10.3. The laws of New Zealand govern this contract, which has been issued in New Zealand.

10.4. If changes in the law or its interpretation occur after the *policy commencement date* and Sovereign believes on reasonable grounds that those changes will affect its liability for tax or the way in which this agreement operates, Sovereign can change the provisions of this agreement or the benefits as it considers appropriate.

Notices

10.5. Sovereign's physical and postal addresses are:

Private Bag Sovereign
Victoria Street West
Auckland 1142

Sovereign House
74 Taharoto Road
Takapuna
Auckland 0622

10.6. When Sovereign writes to you, the letter or notice will be sent to the address shown on the *schedule*, or to a substitute address notified by you.

11. Definitions

Defined Term	Definition
<i>CPI</i>	The Consumer Price Index.
<i>funding period</i>	The period from the <i>policy commencement date</i> to the <i>retirement date</i> .
<i>fund management fees</i>	The costs and expenses relating to the management, administration and safekeeping of each investment fund which are paid out of that fund. Refer section 5 for details.
<i>grace period debt</i>	An interest fee debt period of up to 24 months allowed by Sovereign under your policy, where the accumulator and extra accumulator units in your <i>plan account</i> are insufficient to cover your <i>policy fee</i> . Refer to clauses 8.3 and 8.4 for details.
<i>life assured</i>	The person covered under clause 7.2 and listed in the <i>schedule</i> as the <i>life assured</i> .
<i>other expenses</i>	Other reasonable underlying investment expenses which are paid out of the fund from time to time.
<i>paid up</i>	Means that your policy is permanently closed to new contributions.
<i>plan account</i>	The account set up by Sovereign in your name to hold your units.
<i>policy commencement date</i>	The policy commencement date stated in the <i>schedule</i> .
<i>policy fee</i>	The reasonable fee charged by Sovereign for the administration of your policy.
<i>policy owner</i>	The person listed on the <i>schedule</i> as the owner of this policy.
<i>retirement date</i>	The date you elect at the <i>policy commencement date</i> for your retirement benefit to be payable.

schedule The latest schedule issued by Sovereign to you which confirms the *policy owner*, the *life assured*, and other important policy details.

unit price Has the meaning set out in clause 4.7.