



Te Uniana Whakanama Pirihimana

**POLICE HELPING POLICE**

## **PRODUCT DISCLOSURE STATEMENT**

### **FOR CONTINUOUS OFFER OF DEBT SECURITIES IN POLICE AND FAMILIES CREDIT UNION INCORPORATED**

**28 August 2023**

**This document replaces the Product Disclosure Statement dated 20 June 2023**

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz).

The Police and Families Credit Union Incorporated has prepared this document in accordance with the Financial Markets Conduct Act 2013.

You can also seek advice from a financial adviser to help you to make an investment decision.

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# 1 WHICH PRODUCTS ARE OFFERED UNDER THIS PRODUCT DISCLOSURE STATEMENT (PDS)

This is a continuous offer to subscribe for debt securities termed “shares” with the Police and Families Credit Union Incorporated (the Credit Union).

## SHARES

The Shares in the Credit Union represent the ownership and membership of the Credit Union and allows the right to vote at any meeting of the membership.

The shares on offer are whole dollar fully paid-up redeemable shares in the Credit Union.

## SHARE ACCOUNTS

Members’ shares are held in one or more of the share accounts operated by the Credit Union. The Credit Union has a policy that generally Members may only hold a maximum of \$250,000 individually or \$500,000 jointly across all share accounts. Where shares are held jointly the person named first in the register of Members will be deemed to be the Member to whom the shares voting rights have been allotted.

The Credit Union offers two different types of Share Accounts, being:

- On Call Share Accounts; and
- Term Share Accounts.

Details of these different Share Accounts are set out in the tables below. Each Share Account may offer different terms and conditions as to:

- any return payable;
- the term of the investment (term shares);
- the timing of repayment.

## ON CALL SHARE ACCOUNTS

The following table shows the accounts, returns, conditions and other important information regarding the accounts that the shares are held in.

Account Type	Term	Return	Return Due and Payable	Minimum Deposit	Other Account Conditions
S1 & S2 Spending Account	On Call	Interest calculated daily.	Monthly	\$1	
S3 Christmas Club	On Call	Interest calculated daily.	Monthly	\$1	Balance of the Account is paid to the member’s Spending Account or an external bank account in November each year plus an extra reward of a \$10 or \$20 New World voucher for saving each month and making no withdrawals.

Account Type	Term	Return	Return Due and Payable	Minimum Deposit	Other Account Conditions
S5 Achiever Saver	On Call	Interest calculated daily.	Monthly	\$1	
S6 Bonus Saver	On Call	Interest calculated daily. Bonus interest is paid if at least \$20.00 is deposited to the account per calendar month and no withdrawals are made from the account in the calendar month.	Monthly	\$1	
S7 Future Saver	On Call	Interest calculated daily. Bonus interest is paid if at least \$20.00 is deposited to the account per calendar month and no withdrawals are made from the account in the calendar month.	Monthly	\$1	For members aged between 13 and 19 years of age. When the member reaches 20 years of age the Future Saver must be transferred to another On Call Share Account.
<p><b>Methods of withdrawal</b>  For all accounts - by direct credit, automatic payment or direct debit to another bank account. Spending and Future Saver accounts may have a Debit MasterCard attached that may be used in ATMs, Eftpos machines and online purchases.</p>					

### ***RETURNS***

The returns, being interest, when due and payable on an On Call Share Account will be credited to the member's On Call Share Account at such intervals as is provided for in the terms and conditions of that account.

### ***WITHDRAWALS***

Members may operate their On Call Share Accounts in a similar manner to bank accounts. All On Call Share Account shares are usually available to be withdrawn at any time, however, the Rules of the Credit Union and the Friendly Societies and Credit Unions Act 1982 (FSCU Act), provide that the Credit Union has the right at any time to require not less than 60-day notice period for withdrawal.

Any withdrawal of On Call Share Accounts which would put the member into overdraft will only be permitted at the Credit Union's discretion.

The Credit Union Board reserves the right to vary the Terms and Conditions of the On Call Share Accounts. Notice of any such variation will be communicated to all Members prior to changes taking effect. Any changes to fees and charges will not come into force until these have been notified to all affected Members.

## TERM SHARE ACCOUNTS

Account Type	Term	Return	Minimum	Conditions
Term Share Account	The terms available are 3, 4, 5, 6, 7, 8, 9, 12, 18 and 24 month.	Interest rates are set at the beginning of the Term Share Account.	\$500	All approved applications to redeem during the term due to hardship will be paid in full. The Interest rate applying to a Term Share Account redeemed during the term will be the S1 Spending
<p><b>Methods of withdrawal</b> By direct credit to another bank account. At the commencement of your Term Share Account you may opt to have the Term Share Account paid out in full, compound the interest to the principal and reinvest or just reinvest the principal and have the interest paid out.</p>				

The current interest rates for On Call Share Accounts and Term Share Accounts are available on the Credit Union's website [www.policecu.org.nz](http://www.policecu.org.nz) or by calling the Credit Union. The Credit Union does not issue share certificates to Members.

### **MATURITY**

Shares in a Term Share Account will mature on their respective maturity dates. Interest rates are set when the deposit is made and may change on rollover if this option is chosen by the Member. If a Term Share Account is set to reinvest it may either be with the interest added to the principal (compounded interest) or just reinvest the principal with the interest paid out to the Member.

If a Member has given instructions for any moneys, held in a Term Share Account, not to be automatically reinvested at the end of the term, the funds will earn the return applicable at the time of maturity and either be deposited to a nominated On Call Share Account with the Credit Union or be paid to the Members' external bank account.

The Credit Union will send the Member a maturity notice for their funds dated at least 7 days before the maturity of their Term Share Account, outlining the existing instructions held from the Member in regard to actions to take place on the maturity date.

It's the Credit Union's policy not to make repayments prior to maturity for Term Share Accounts. However, in the event of financial hardship or extraordinary circumstances, application may be made to the Credit Union, which may exercise its discretion to repay the funds. Any returns payable will be subject to adjustment in accordance with the conditions of the Term Share Account.

The Credit Union is not entitled, at law, to consent to any withdrawals when the Credit Union is unable to meet its debts as they fall due.

### **WHO IS RESPONSIBLE FOR REPAYING YOU?**

The Credit Union is responsible for repaying your Shares and any interest due, subject to the conditions of the types of accounts as in the table above. The risk you take is that at the time you want the funds, the Credit Union is unable to repay them to you.

## MEMBERS

Shareholders in the Credit Union are termed “Members”. Members are the owners of the Credit Union. The Members of the Credit Union can elect the Board of Directors of the Credit Union. There are no external owners of the Credit Union.

## THE OFFER

The offer of Shares in the Credit Union can only be made to persons who meet the Credit Union’s membership criteria, otherwise known as its “common bond”. The membership is open to:

1. Persons who are employees or volunteers of the New Zealand Police or the Police Service Organisations, or the Credit Union, or employed by, volunteering, or serving in any of the following organisations:
  - a. Fire and Emergency New Zealand.
  - b. St John Group.
  - c. Wellington Free Ambulance Group.
  - d. NZ Defence Force.
2. Persons who have ceased employment or service (including voluntary), from any of the following organisations, or who have met the retirement criteria pursuant to the Policing Act 2008 and any legislation passed in substitution thereof:
  - a. New Zealand Police.
  - b. Police Service Organisations.
  - c. Police Credit Union.
  - d. Fire and Emergency New Zealand.
  - e. St John Group.
  - f. Wellington Free Ambulance Group.
  - g. NZ Defence Force.
3. Family members:
  - a. any current or former spouse, civil union partner or de facto partner of any living or deceased member of the Credit Union.
  - b. any parent, grandparent, or great grandparent of any living or deceased member of the Credit Union.
  - c. any biological, adopted, or step, child, grandchild, great-grandchild or whāngai of any living or deceased member of the Credit Union.
  - d. any brother, sister, uncle, aunt, nephew, niece, or first cousin of any living or deceased member of the Credit Union; and
  - e. any current or former spouse, civil union partner, or de facto partner of any persons referred to in paragraphs 7.2.3 (b), (c) or (d).
4. Students, approved by the Credit Union, who are enrolled, or about to be enrolled, in courses at recognised tertiary educational institutions in New Zealand as a pre-condition to becoming employees of the New Zealand Police, or becoming employees or serving in any of the following organisations:
  - Fire and Emergency New Zealand.
  - St John Group.
  - NZ Defence Force. Wellington Free Ambulance Group.

The Shares offered under this PDS rank equally with all other Shares issued or to be issued by the Credit Union.

### **APPLICATION FOR SHARES**

To apply to subscribe for Shares, prospective Members must first complete the Credit Union's standard application form. Forms are available from the Credit Union's website [www.policecu.org.nz](http://www.policecu.org.nz) or from the Credit Union's offices.

On application, the prospective Member must provide proof of their identity, preferably with photo ID such as NZ Driver's license or their passport, and proof of address that is no more than 12 months old.

The Credit Union will only accept applications from those persons who fall within the Credit Union's common bond. The Board of the Credit Union reserves the right to decline a prospective Member's application without giving any reason.

The application form will also cover each subsequent Share subscription by the Member. Initial deposits on the opening of a Share Account can be made by cash, or by electronic payment methods.

Shares in the Credit Union are not transferable. A Member may nominate a person or persons to receive any shares that the Member may have in the Credit Union on death of the Member or any sum payable by the Credit Union at that time in accordance with Section 142 of the FSCU Act. This nomination is to be in writing, signed by the Member and sent to or delivered to the registered office of the Credit Union.

### **FEES**

There are fees for the services offered by the Credit Union. There are also recovery charges where debts are incurred on behalf of the Members e.g. for loans.

A current schedule of all fees and charges can be found on the Disclose website [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz) and also on the Credit Union's website [www.policecu.org.nz](http://www.policecu.org.nz).

## **2 POLICE AND FAMILIES CREDIT UNION AND WHAT IT DOES**

The Credit Union was established in 1974.

The Credit Union is a financial co-operative registered as a credit union under the FSCU Act and Incorporated under the FSCU (RI) Amendment Act 2018. The Credit Union was first registered on 11 February 1974 (registration number 66/610).

The public file of the Credit Union may be accessed on the Companies Office website [www.business.govt.nz/companies](http://www.business.govt.nz/companies) under "Search other registers". The File reference number is "1802854".

Under the Financial Service Provider (Registration and Dispute Resolution) Act 2008 the Credit Union is registered as a financial service provider with the Financial Service Providers Register under registration number FSP28032.

The Credit Union is a Non-Bank Deposit Taker first licensed 12 November 2014 under the Non-Bank Deposit Takers Act 2013. The FSCU Act, and all other legislation referred to in this PDS, are available on the New Zealand legislation website at [www.legislation.govt.nz](http://www.legislation.govt.nz).

## OVERVIEW OF OBJECTS AND ACTIVITIES

The objects for which the Credit Union exists are:

- To receive the savings of Members as payment on Shares.
- To make loans to Members with or without security.
- To invest the funds or any part thereof of the Credit Union in any manner authorised by Part III of the FSCU Act.
- At the discretion of the Credit Union and as a minor adjunct to the other objects set out above, to provide for the welfare of its Members and the making of donations for charitable, cultural, benevolent, or philanthropic purposes.
- To train and educate Members in the wise use of money and the management of their financial affairs.
- To amalgamate with or transfer the assets of the Credit Union to another Credit Union, or Association of Credit Unions.
- To conduct outside the Credit Union, Debt Protection and/or Savings Insurance for the benefit of Members of the Credit Union.
- To carry out all such lawful activities as in the opinion of the Board are incidental or conducive to the attainment of the objects of the Credit Union or any of them.

To this end the Credit Union offers banking services to Members through their Share Accounts, encourages savings and lends money to their Members from the pool of savings of the collective membership.

The Credit Union's primary activity since 1974 has been to provide a co-operative saving facility for Members to form a loan fund and to make loans to Members from that fund.

Now, besides the savings and the loan fund the Credit Union offers most basic retail financial products other than credit cards.

The principal assets of the Credit Union consist of bank deposits; furniture and fittings; office equipment; computer equipment; loans to Members and investment in an associate entity.

The principal assets are used solely for the purpose of furthering the Credit Union's objectives. The principal assets are subject to a security interest in favour of the Prudential Supervisor as more particularly described in the section headed Other Limitations, Restrictions and Prohibitions.

## MAIN SOURCES OF INCOME

The three main sources of income are from

- i) From lending to members;
- ii) Investment income, and
- iii) Fees & charges. The current fees and charges are available through Disclose [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz) or on the Credit Unions website [www.policecu.org.nz](http://www.policecu.org.nz).



### 3 WHAT IS POLICE AND FAMILIES CREDIT UNION'S CREDIT RATING?

A credit rating is an independent opinion of the capability and willingness of an entity to repay its debts (in other words its creditworthiness). It is not a guarantee that the financial product being offered is a safe investment. A credit rating should be considered alongside all other relevant information when making an investment decision.

The Police and Families Credit Union has been rated by Equifax Australasia Credit Ratings Pty Limited (Equifax). Equifax gives ratings from AAA to D.

Rating	Default rates (5 years)	Classification	Risk Level
AAA	0.17	High Grade	Negligible
AA+	0.31		
AA	0.44		
AA-	0.55		
A+	0.76	Investment Grade	Very Low
A	0.81		
A-	1.47		
BBB+	2.08		
BBB	3.19	Near Prime	Low
BBB-	4.37		
BB+	7.13		
BB	7.49		
BB-	10.52	Sub Prime	Low to Moderate
B+	16.34		
B	22.21		
B-	24.16	Credit Watch	Moderate
CCC+	28.16		
CCC	29.90		
CCC-	39.16	Distressed	Very High
CC	52.87		
C	55.00		
D	100.00		

An Equifax rating may also include a 'Rating Outlook' assessment.

Equifax's forward estimates help ascertain the trajectory of ratings as well as the risks to ratings. Ratings with a positive trajectory are assigned 'Positive Outlooks'. Ratings with a negative trajectory are assigned 'Negative Outlooks'. Where Ratings are expected to remain unchanged, a 'Stable Outlook' is assigned.

Rating trajectories are closely related to the outlook for the corporate's earnings. Earnings growth that is within sustainable growth parameters together with an attenuation of earnings volatility provide upward rating pressure and so may warrant the assignment of a Positive Outlook.

#### Equifax's Credit Rating for Police and Families Credit Union

Police and Families Credit Union has been rated by Equifax and was given a credit rating of BB+ on 6 July 2023. This is a long-term issuer rating with a stable outlook.

#### Equifax's Outlook Assessment for Police and Families Credit Union (PFCU)

The outlook for PFCU's rating is 'Stable'.

A rating upgrade, while unlikely over the near term, would require a sustainable improvement in PFCU's competitive position. However, the rating may migrate lower in the following instances on an individual or collective basis if:

- A continued decrease in the loan book results in declining profitability and net interest income is inadequate to cover overheads, and
- There is a weakening of current balance sheet strength.

The detailed credit rating report is on the Disclose website [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz).

## 4 POLICE AND FAMILIES CREDIT UNION'S FINANCIAL INFORMATION

### FINANCIAL STATEMENTS

The Credit Union is required by law and its trust deed to meet certain financial requirements. These are minimum requirements.

Meeting them does not mean that the Credit Union is safe. The section on specific risks of investing sets out risk factors that could cause its financial position to deteriorate.

The offer register provides a breakdown of how the figures in this table are calculated as well as the full financial statements.

The key ratios and a copy of our current Financial Statements and the tables referred to above are on the Disclose website [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz).

### KEY RATIOS TABLE

As this is a continuous offer, the offer register Disclose contains our Key Ratios table, other financial covenants required by our Trust Deed, and the Selected Financial Information Table.

All are contained in the one document referred to as 'Key Ratios and Other Financial Information' on [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz)

### OTHER LIMITATIONS, RESTRICTIONS AND PROHIBITIONS

The financial ratios summarised below, from our Trust Deed, are required by the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010 which sets the regulatory requirements for Capital and Related Party Exposure and with regard to liquidity the Deposit Takers (Liquidity Requirements) Regulations 2010.

The ratios for Secured Liabilities are in the Other Financial Covenants table with the Key Ratios Table and as previously stated can be found on the Disclose website available through [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz). The document is called Key Ratios and Other Financial Information.

A full copy of the Trust Deed is available on the Disclose website through [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz)

Our Trust Deed has the following financial covenants:

The Credit Union covenants with its Supervisor that:

#### **Borrow money**

It will not borrow money or lend other than as permitted by the FSCU Act.

#### **Capital Ratio**

The Credit Union shall ensure that at all times its Capital Ratio is not less than 10% (ten percent).

#### **Associated Persons**

The Credit Union shall ensure that at all times the aggregate exposure of the Credit Union to all Related Parties of the Credit Union does not exceed a maximum limit ratio of 15% (fifteen percent) of its Capital.

### **Creditor Liabilities**

It will not permit its Creditor Liabilities to exceed 5% (five percent) of its Total Liabilities.

### **Liquidity**

- It will not permit the Assets comprising Cash to fall below an amount equal to 10% (ten percent) of its Total Assets.
- The Credit Union shall ensure that the One Month Mismatch Ratio is not less than zero.
- The Credit Union shall ensure that the One Year Funding Ratio is not less than 70% (seventy percent) at all times.

## **5 GUARANTORS**

Neither the Supervisor, Directors or any other party guarantee the repayment of the shares, or the payment of any returns on shares in the Credit Union.

## **6 SPECIFIC RISKS OF INVESTING**

The following are specific risks that could increase the chance of the Credit Union not being able to repay your principal and/or any interest due on your On Call and Term Share Accounts.

The likelihood of these occurring and the impact are shown after the mitigation and the management processes that the Credit Union have in place.

### **6a. SOLVENCY AND LIQUIDITY RISK**

#### ***TYPE OF RISK***

This is the risk of the Credit Union not having enough cash to meet its obligations to Members wishing to withdraw their funds or Members wishing to borrow funds from the Credit Union. This risk requires the Credit Union to manage the maturity of loans and balance this with the anticipated need to repay Members' Shares. To remain solvent the Credit Unions' assets must exceed its liabilities and it must be able to meet its debts as they fall due.

#### ***SIGNIFICANCE***

Members expect to be able to withdraw their Shares from their On Call Share Accounts immediately and upon maturity of their Term Shares and also apply for loans when the need arises. Withdrawals from your On Call Share Accounts may take up to 60 days should an event cause stress on the Credit Union's liquidity.

#### ***LIKELIHOOD***

The Credit Union has a Liquidity & Market Risks Policy that is used to reduce and manage Solvency and Liquidity Risk. As part of this policy the Credit Union monitors its liquidity daily and reports liquidity and capital ratios to its Supervisor monthly. The Credit Union's policy contains minimum liquidity and capital ratios to ensure that the Credit Unions ratios do not breach the statutory minimums.

Likelihood is **low**.

#### ***IMPACT***

The impact of such an event would be **high**.

## 6b. CREDIT RISK

### *TYPE OF RISK*

Credit Risk is the risk that Members do not repay their loans as per their contracts. The risk is that multiple loan defaults will occur at the same time reducing the Credit Union's income and requiring the Credit Union to write off loans that will not be repaid.

### *SIGNIFICANCE*

Lending is the Credit Union's primary source of income.

Many reasons can cause the risk of Members not repaying all or part of their loans.

When multiple loans go into default, the risks of loss of income to the Credit Union and your deposits not being paid increases. If a large proportion of small loans, or a few mortgages, defaulted at any one time then this would significantly increase the risk that the Credit Union would be unable to meet its obligations to all Members, or pay its debts as they fall due.

### *LIKELIHOOD*

The Credit Union has a Credit Policy that is used to reduce and manage loan default risk.

Lending is on a case by case basis, with affordability, security offered and credit history taken into account. The credit exposures on loan facilities and incidence of default is constantly reviewed by management and reported to the Board's Credit Committee on a monthly basis.

The Credit Union's loan portfolio is made up of a large number of secured personal loans, a small number of unsecured loans and a number of home loans secured by mortgages over residential properties.

Likelihood is **low**.

### *IMPACT*

The impact expected from one personal loan, even one home loan is insignificant.

The impact of such an event would be **low**.

The impact expected from multiple personal loans and home loans would have a **moderate** impact.

## 6c. RELEVANCY RISK

### *TYPE OF RISK*

The risk that the Credit Union loses relevance to its membership.

### *SIGNIFICANCE*

The Credit Union exists to provide savings and loan products to its Members. The Credit Union membership is not available to anyone that does not meet the criteria for membership outlined in the section titled "The Offer" on page 6. This limitation means that without ongoing support from its Members, the Credit Union in its current form, would over time lose relevance and cease to exist.

### *LIKELIHOOD*

The Credit Union manages this risk by the Board of the Credit Union ensuring that the strategic plans of the Credit Union incorporate initiatives designed to ensure that the Credit Union connects with its Members and potential Members.

The likelihood of the Credit Union losing relevance is **low**.

### ***IMPACT***

Should the Credit Union fail to ensure its relevance then the impact to the Credit Union will be that it will not be needed and will cease to exist.

## **6d. COUNTERPARTY RISK**

### ***TYPE OF RISK***

A Registered Bank does not return surplus funds invested by the Credit Union on request or at maturity, preventing the Credit Union from keeping its commitments to the Members and its debts.

### ***SIGNIFICANCE***

The Credit Union has significant surplus funds in excess of its capital, invested with New Zealand Registered Banks. Should any Bank fail or be subject to the Reserve Bank of New Zealand's Open Bank Resolution Policy, the Credit Union may lose a portion or all of its funds invested with the Bank(s). This may result in the Credit Union not being able to repay the Members' Share Accounts or its debts.

### ***LIKELIHOOD***

The risk of loss is reduced by the nature and quality of the independent rating of the individual Bank. The Credit Union limits its risk by following its Liquidity & Market Risks Policy. The Liquidity & Market Risk Policy limits investments to New Zealand Registered Banks and limits the counterparty exposure to an individual bank to be no more than 50% of its total investment funds.

Likelihood is **low**.

### ***IMPACT***

The impact of such an event would be **High**.

## **7 REGISTER ENTRY**

Further documents about the debt securities offered by the Credit Union can be found by searching Police and Families Credit Union (as issuer) at the following address:

[www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz)