



Proposed Changes to the Beneficiary Fund Explained

FOR

**sessions
and
parish
councils**



Presbyterian Church
of Aotearoa New Zealand



This booklet has been compiled based on work undertaken by the Council of Assembly in consultation with the Beneficiary Fund's trustees, the Church Property Trustees. The work arises from a General Assembly decision in 2014 to review the Beneficiary Fund.

The Beneficiary Fund Workgroup, members are as follows:

Jenny Flett

Deputy Convenor, Council of Assembly

Margaret Galt

Church Property Trustees

Ian Russon

Church Property Trustees

Very Rev Ray Coster*

former General Assembly Moderator

Rev Wayne Matheson

Assembly Executive Secretary

Anne Edgar

Convenor, Resource Sub-committee

Very Rev Bruce Hansen*

former General Assembly Moderator

*Ray Coster replaced Bruce Hansen on the workgroup following Bruce's resignation as a Church Property Trustee.

The Workgroup has been supported in their work by a range of advisers who include retirement scheme experts, the Beneficiary Fund actuary and specialist legal advisors.

Contents

> Introduction	3
> About the Fund	5
> What are the changes?	6
> What is the impact of proposed changes?	8
> Why change?	12
> Who makes the decision about whether the changes go ahead?	13
> Help and support	15

The Small Print

This guide is intended to provide you with a general overview of the proposed changes. While great care has been taken to get the details right at the time of publication, statements in this document are for general information only, and subject to change.

Introduction

This booklet is part of an information pack for church councils about a package of proposed changes that will alter the retirement support offered by the Church to its ministers and other leaders, including changes to the Beneficiary Fund.

Significant changes are proposed, and these recommendations have not been made lightly. A massive amount of research and analysis has gone into bringing these recommendations for change. At the forefront of the Beneficiary Fund Workgroup's work has been the long-standing commitment by the Church to support its ministers and their families.

Much consideration has been given to Fund members' and annuitants' needs, and their potential concerns about the proposed changes. The Beneficiary Fund Workgroup and its advisers have worked tirelessly to not only understand the impacts of the proposed changes, but also to develop strategies to address these.

The Church greatly values the efforts of our ministers who have given many years of service to the Church, and the package of changes has been shaped with this important point in mind.

The nature of the proposed changes, their impact on parishes as well as background to the changes are explained in this booklet and related resource material, which is available on the Church's website.

A companion booklet that outlines similar information, with a focus on the impact on Beneficiary Fund members and annuitants, is also available.

In August and September members of the Beneficiary Fund Workgroup will be visiting various regional centres to explain the proposed changes. It is recommended that ministers and members of session and parish councils attend one of these meetings.

Please feel free to utilise any of the mechanisms available (listed at the end of this booklet) to ask questions and share feedback – on the proposed changes. Responses to your questions and comments will be addressed in ongoing communication about this matter, so that everyone can benefit from the questions asked.

At the forefront
of the Beneficiary
Fund Workgroup's
efforts has been
the Church's
long-standing
commitment to
support ministers
and their families.



About the Fund

The Beneficiary Fund was established with the purpose of providing for national ordained ministers and their families in their retirement. It provides a mixture of retirement and welfare related support to members and their spouses.

How does the Beneficiary Fund operate now?

The Fund is currently made up of two Defined Benefit sections (referred to together as the "Defined Benefit section") and a KiwiSaver compliant Defined Contribution section.

The proposal recommends winding up the Defined Benefit parts of the scheme, and replacing them with a second Defined Contribution section of the Beneficiary Fund.

Who can join?

The Beneficiary Fund is only open to national ordained ministers. Local ordained ministers, those in local ministry teams, youth pastors and the many other types of ministry leaders serving the Church are ineligible to join.

What support is available?

Member retirement support includes an optional lump sum commutation of a portion of their future entitlement on retirement (and for pre 1 January 2009 members there is an additional lump sum), and an annuity based on years of service. The Fund also offers a range of related support such as disability benefit, special grants (usually related to medical assistance), death and funeral coverage.

The level of support offered varies according to whether the member joined the scheme before or after 1 January 2009.



What are the changes?

A summary of the package of proposed changes is outlined below and will be presented to General Assembly in November 2016 for consideration.

Beneficiary Fund changes:

- › The Defined Benefit sections of the Beneficiary Fund be wound up.
- › Creation of a new Defined Contribution section of the Fund to allow members or annuitants to transfer all or part of their lump sum distribution to this new Defined Contribution section of the Fund (current regulations prohibit those over 65 joining the current Defined Contribution section of the scheme).
- › The surplus in the Defined Benefit sections of the Fund be distributed in accordance with the Trust Deed, including returning some to the general reserves of the continuing sections of the Fund, and the remainder to be held in a trust fund for charitable purposes for the advancement of religion, in particular for the support of ministers of religion.

In order to give effect to the changes and ensure legislative compliance, the Fund will be temporarily closed to new members from 1 December 2016 until 1 July 2017.

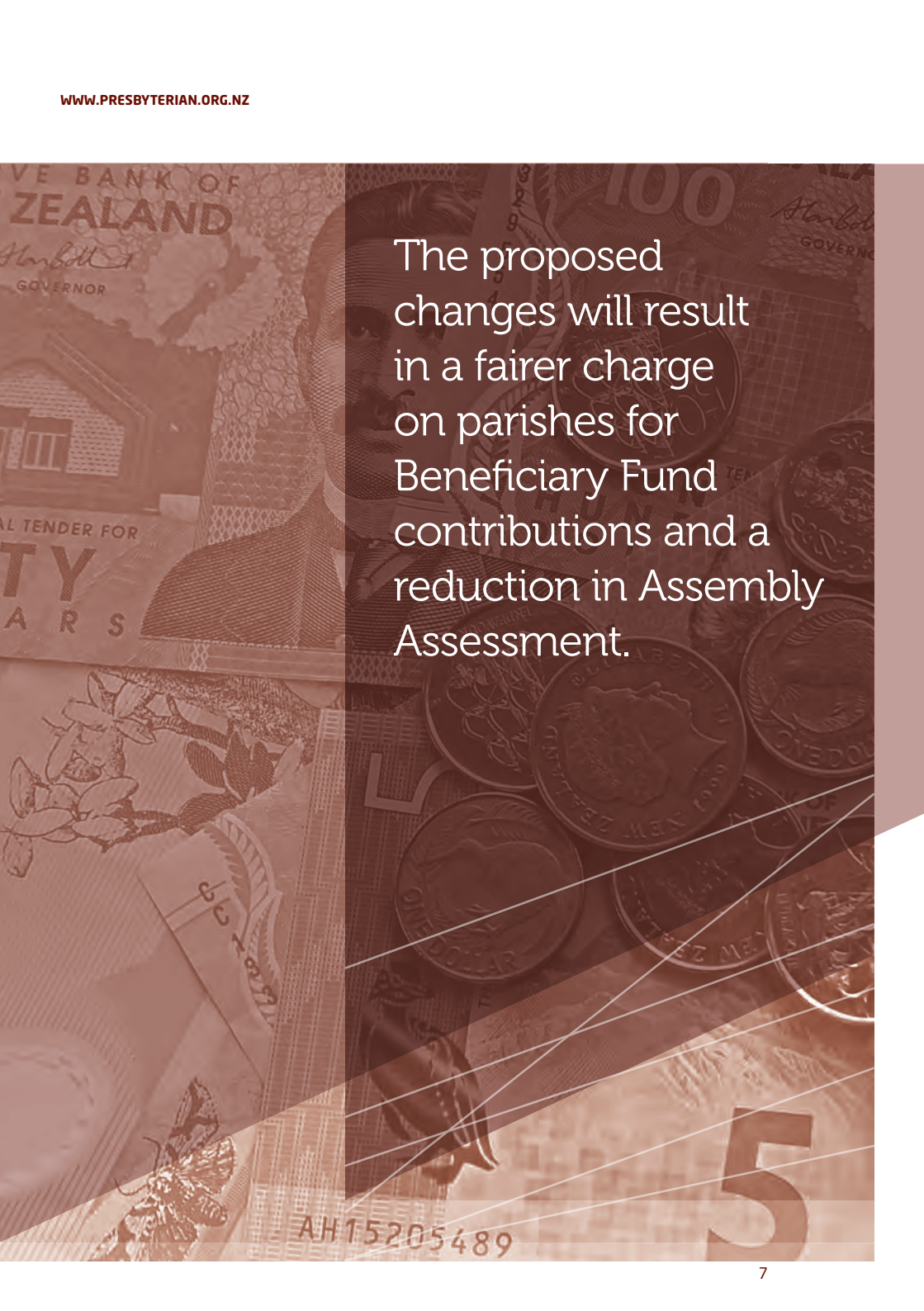
Other changes:

- › Adjustment of ministerial support package to include an increase in stipend and other changes. (See the Ministerial Support Package Explained Factsheet, available on the Church's website in mid-September, for further details).
- › Extend retirement scheme support to local ordained ministers through a change in policy that specifies parishes make employer KiwiSaver contributions for LOMs at a rate of not less than 4 percent (unless the minister is not a KiwiSaver member or is on a contribution holiday).
- › Parishes will be encouraged to pay KiwiSaver contributions for all employees at the same rate as contributions to KiwiSaver for local ordained ministers.

General Assembly will also consider a recommendation to establish a new governance structure for the Beneficiary Fund that is compliant with the requirements of the Financial Markets Conduct Act, which comes into effect on 1 December 2016.

Amendments to the Beneficiary Fund Trust Deed are required to facilitate the proposed changes and General Assembly will also be asked to agree to amendments, which will be available for viewing on the Church website in October.

Feedback from gatherings with Fund members, annuitants and parishes around the country may warrant amendments or additions to the recommendations that are broadly outlined above. While all care has been taken to ensure the completeness and accuracy of these recommendations, it is important to signal that they are subject to change.

The background of the slide is a collage of New Zealand currency. On the left, there is a vertical strip showing a portion of a New Zealand banknote with the text 'VE BANK OF ZEALAND' and 'GOVERNOR'. Below this, there is a section with 'AL TENDER FOR' and 'TY ARS'. On the right, there is a large, semi-transparent image of a New Zealand dollar coin featuring the coat of arms. Below the coin, there is a large number '5' and the text 'AH15205489'. The overall color scheme is a warm, reddish-brown hue.

The proposed changes will result in a fairer charge on parishes for Beneficiary Fund contributions and a reduction in Assembly Assessment.

What is the impact of proposed changes?

This section outlines the impact of proposed changes on Beneficiary Fund members and annuitants, parishes and the wider church community.

Impact on parishes

Remove future financial risk to the Church and parishes

The Defined Benefit section poses a financial risk to the Church, a risk that must be borne by all parishes in New Zealand. The financial risk exists because the defined benefit sections require the Beneficiary Fund to pay a “defined” ongoing pension based on each minister’s years of service to the Church and other factors. This pension obligation exists regardless of the amount of contribution from the Church, the minister or their parish and regardless of the level of income and assets the scheme itself accumulates on those contributions.

Such a situation is an inherent risk in defined benefit schemes, and is one of the reasons schemes like this have closed over the years.

The scheme has made considerable investment gains in recent years, a situation that has de-risked the Fund by providing a significant buffer between its projected obligations and available funds. However, such investment gains are not guaranteed and the current Defined Benefit sections’ surplus can be markedly eroded (and even become a deficit) in a short space of time.

Winding up the Defined Benefits part of the scheme reduces the future financial risk to parishes and the wider Church.

Fairer charges on parishes for Beneficiary Fund contributions

Contributions to the Fund are a large proportion of the Assembly Assessment (around 43 percent), and Assembly Assessment is paid by all parishes, regardless of whether they have one minister, more than one minister or no ministers. In reality, parishes that are served by a non-nationally ordained ministry leader are contributing an inequitable proportion of ministerial retirement funding within their Assembly Assessment payments.

Churches that have Locally Ordained Ministers (who cannot join the scheme) are doubly affected because these parishes also have a legal obligation to contribute to such minister’s third-party operated KiwiSaver accounts on top of the Assembly Assessment. Proposed changes address this inequity and will bring about a fairer charge on parishes for meeting their Beneficiary Fund obligations.

Parishes will pay less Assembly Assessment

If the proposed changes are agreed by General Assembly, it will enable a considerable reduction in Assembly Assessment levies. The levy will be recalculated to recognise the changed burden on parishes to contribute to the Beneficiary Fund. It is expected that the new rate will be effective from July 2017.

Change to the method by which each parish's Beneficiary obligations are paid

Instead of being paid centrally through Assembly Assessment, parish Beneficiary Fund obligations will be paid directly by each parish for their minister or ministers as a percentage of total stipend (including seniority allowance).

Information about how this change will be implemented will be available in the months following General Assembly, with a view to the new system being effective from 1 July 2017.

The current ministerial support package will change

A new ministerial support package is being designed in consultation with external advisers. The aim will be to ensure that the combination of an increased stipend, other benefits and the recommendations with respect to the wind-up distributions will ensure that contributing ministers are no worse off in terms of the value of their support package. The result is likely to be an increase in stipend of around 5 percent.

Full details of the proposed changes to the support package can be found in the Ministerial Support Package Explained Factsheet available on the Church's website: www.presbyterian.org.nz/for-parishes/church-property-trustees/the-beneficiary-fund/proposed-changes

Impact on Ministers

Better access to retirement support for local ordained ministers

The proposed changes, if agreed by Assembly, will bring about a retirement scheme where all ministers (both local and national) have similar access to retirement support. Under proposed changes, parishes will make contributions to local ordained ministers' nominated KiwiSaver accounts at a similar rate to national ordained ministers. (Read more about this in the "What is changing?" section of this booklet.)

Wind-up involves a lump sum cash distribution

Should General Assembly agree to wind up the Defined Benefits section of the Beneficiary Fund, members and annuitants will receive a lump sum cash distribution under the terms of the Trust Deed.

All Fund members and annuitants recently received a letter signalling the proposed changes. Prior to November 2016, they will receive a further communication that will include an estimate of their lump sum cash distribution.

More positive distribution environment

The defined benefit sections current surplus will be distributed in accordance with the terms of the Trust Deed. Where the Fund Trust Deed, actuarial standards and legal advice allow, an approach of favouring support for members on wind-up should be followed.

Establishment of charitable fund

A surplus in the Fund will be distributed in accordance with the Trust Deed, including the establishment of a fund for the advancement of religion, in particular for the support of ministers of religion. The charitable fund will be administered by the Church Property Trustees.

It is intended that this fund will, among other things, be available to current Beneficiary Fund members who despite financial prudence, need to request financial assistance to meet reasonable living costs or alleviate any hardship associated with wind-up of the Defined Benefits section of the scheme.

Impact on others

Better recognise other forms of ministry

There has been a significant shift in ministry over recent decades. The Church now recognises ministry in many different forms including locally ordained ministers, local ministry teams and lay ministers; and Presbyterian Youth Ministries and Kids Friendly are recognised facilitators of ministry to young people.

The 2012 General Assembly agreed that the Church adopt a living wage policy and that all presbyteries and congregations be strongly encouraged to pay the living wage as a minimum.

Further, among the package of changes to be considered by General Assembly, parishes are being encouraged to pay KiwiSaver contributions for all employees at the same rate as contributions to Kiwisaver for locally ordained ministers.

What is the difference between Defined Benefit and Defined Contribution schemes?

A Defined Benefit (DB) scheme is where payments are made into the scheme and in return the scheme promises to provide a pension. The important thing to note about this type of scheme is that all the investment risk, and risk that the pensioner lives longer than expected, lies with the scheme. In the Church's case, this means that parishes have a financial liability if the scheme has too little money to service the pension obligations. On the death of a member and their spouse, no entitlements remain.

A Defined Contribution (DC) scheme is where the payments accumulate and the retiree is entitled to whatever happens to be in their scheme account when they retire. (KiwiSaver is an example of a Defined Contribution scheme). The important thing to note is that in a Defined Contribution scheme, the investment risk lies with members. On the death of a member, their entitlements transfer to their estate.

There has been a significant shift in ministry over recent decades. The Church now recognises ministry in many different forms.



Why change?

The proposed changes have been structured to deal with various issues in the Fund and the way the Church provides retirement support to its leaders. In particular, the changes aim to:

- › develop a retirement scheme that better recognises different forms of ministry
- › bring about a retirement scheme where all ministers (both local and national) have similar access to retirement support
- › bring about a fairer charge on parishes for the provision of retirement support
- › reduce the future investment risk currently borne by parishes.

Of particular note for parishes is that the proposed changes will address current inequities in the way Beneficiary Fund contributions are funded via Assembly Assessment.

Please refer to the “What is the impact of the proposed changes?” section of this booklet for more detail about why the changes are being brought to General Assembly. This section outlines the key impacts on of the proposed changes.

General Assembly will also consider a recommendation to alter the Fund’s governance structure. While not related to the proposal to wind-up the Defined Benefits section, it is included for the sake of completeness and so that Fund members, annuitants and parishes have visibility of all the proposed changes to the Fund. The changes are required for the scheme’s transition and legal compliance with changes to the regulatory regime in which it operates.

Overall it is expected that the changes will provide a retirement scheme that is sustainable in the long term, better recognises the value of all leaders, and removes undue financial risk from parishes.

Who makes the decision about whether the changes go ahead?

Under the terms of the Trust Deed that governs the Beneficiary Fund, General Assembly is the only entity with authority to wind-up the Defined Benefit sections of the Scheme. The decision of whether or not the proposed changes go ahead lies with General Assembly, which meets 15-19 November 2016.

General Assembly is comprised of 400 or so Commissioners from parishes around New Zealand including ministers, elders and youth.


What if General Assembly agrees to the changes to the Beneficiary Fund?

If the proposed changes are approved, members will be sent further information about timeframes, next steps and other relevant details in the weeks following General Assembly.

Should the proposal for change be agreed by General Assembly, it is expected that Assembly Assessment would be reviewed and new levies would come into effect on 1 July 2017.

What if General Assembly disagrees?

The Workgroup does not believe that maintaining the Defined Benefit section in its current form is in the best interests of the Church in the long term. If General Assembly does not agree to the proposed changes the Council of Assembly may continue to examine alternative options for the future of the Fund.



The final decision lies
with General Assembly
WHICH MEETS 15-19 NOV 2016.



Help and support

A comprehensive support package is available to help parishes understand the proposed changes and what they mean.

Factsheets and other resources | Presbyterian Church website

The Presbyterian Church website will contain a variety of resources – fact-sheets, frequently asked questions and more – that may be useful. Visit www.presbyterian.org.nz to access these resources, or if you prefer, ring us on the 0800 number below and we'll be happy to post information to you.

Roadshow | 17 locations

Please join us at any one of the presentations at regional centres around New Zealand where we will explain the changes. You will have the opportunity to ask questions. Please also encourage your parish minister to attend. A list of the roadshow dates and venues can be found on the Church's website: www.presbyterian.org.nz

Pastoral visit | Contact us

Pastoral support is available for ministers or annuitants in the care of your parish. It is of particular importance that financial advice only be given by qualified advisers. We ask that all requests for pastoral support be made to one of our team on the 0800 number below, who are able to direct people to the correct specialist advice, and answer any non-financial questions.

We will be happy to organise any pastoral visits alongside a member of your own pastoral team. Call 0800 PRESSY (0800 773 779) or email us to organise a visit for anyone in your parish that needs assistance.

Feedback | Tell us what you think

We welcome your feedback on the proposed changes. So that we may capture the feedback accurately, we ask that you email or post your comments to us where possible. Phone calls are also welcome (see over page for contact details).

Independent financial advice | List of financial advisors

It is strongly recommended that members and annuitants seek independent financial advice about how to best manage any lump sum cash distribution. We ask you to commend this to your minister if he or she is a member of the Beneficiary Fund. Information about how to access the financial advice, for which a grant is available, will be provided in the Seeking Financial Advice Factsheet that will be available on the Church's website: www.presbyterian.org.nz.

Elder abuse | Contact Age Concern

Unfortunately abuse or undue pressure from a family member or caregiver can occur when someone comes into a sum of money. If you are concerned about this, please contact us to organise a pastoral visit, or contact your nearest branch of Age Concern for further information. (https://www.ageconcern.org.nz/ACNZ_Public/EANP_contact_information.aspx)

Contact us |

Please do contact us with any questions.

Phone: 0800 773 779 (0800 PRESSY)

Email: fundfeedback@presbyterian.org.nz

Post: Beneficiary Fund Workgroup,
Presbyterian Church of Aotearoa New Zealand,
PO Box 9049, Te Aro,
Wellington 6141

Website: www.presbyterian.org.nz/for-parishes/church-property-trustees-the-beneficiary-fund/proposed-changes