

# **The Presbyterian Church of Aotearoa New Zealand**



## **Annual Report to Members of the Beneficiary Fund**

**for the year ended 30 June 2011**

Trustee:                   The Presbyterian Church Property Trustees

Administration Manager:                   Aon Hewitt

all enquiries to:       **Ashley Goss, 0800 266 4636 ext 4052**  
email: [ashley.goss@aonhewitt.com](mailto:ashley.goss@aonhewitt.com)

## A quick summary of what the Beneficiary Fund offers

This is a very simple introduction to what the Fund offers to Ministers. Such a short summary cannot cover everything and, in many cases what you are entitled to depends upon your individual circumstances. For this reason, it is only a guide to what the Beneficiary Fund offers, and if you want to find out what you are entitled to you, you need to contact Ashley Goss at Aon (0800 266 4636 ext 4052).

### **The retirement benefits for ministers**

The Beneficiary Fund's main purpose is to provide ministers with support when they retire. Ministers pay into the Fund from their stipend while they are working, and all parishes contribute to the Fund as well.

When a minister retires, they receive both a lump sum and an ongoing monthly payment for the rest of their life (called an annuity). Ministers have the choice of reducing their annuity by up to half, and in return receiving a higher lump sum.

The amount each minister receives depends upon their age when they retire and how many years they have been in the Fund. The longer you are in the Fund and the older you are when you retire the greater the amount of the lump sum and annuity. There is a table in the Annual Report that shows what different people would get. However, it is a rough guide only, and if you want to know what you are entitled to, then ask Ashley Goss of Aon who can tell you with exactly what you would receive.

### **An ongoing benefit for widows and widowers of ministers**

The Fund continues to pay half of the annuity to the widow or widower of a minister, but only if the widow was married to the minister when they retired. If a minister marries after retirement then there is no payment made to the widow or widower.

### **Other benefits when a minister is ill or dies or is in need**

In addition to the retirement payments the Beneficiary Fund provides a number of specific benefits. These are:

- A payment to the parish to cover supply fees when their minister is seriously ill. This is limited to 8 weeks and does not cover the first week of illness.
- A death benefit for the spouse and dependent children of a minister who is not retired and who dies before the age of 66.
- A funeral grant is paid if a retired minister or their spouse dies but only if there is a surviving spouse.
- A disablement benefit may be paid if a minister is so ill or disabled that they cannot continue in work for a prolonged period. The Fund's doctor has to approve this benefit, and eligibility is reviewed regularly.
- Special needs grants to assist ministers in financial need. Contact the Trustees' office for more information.

Finally, there are provisions that let ministers freeze or withdraw their contributions if they leave parish ministry. These provisions vary significantly depending upon individual circumstances.

Obviously this is a very general summary. You can find out your own entitlements at any time from Ashley Goss at Aon freephone 0800 266 4636 ext 4052 or [ashley.goss@aonhewitt.com](mailto:ashley.goss@aonhewitt.com).

## A message from the Chairs

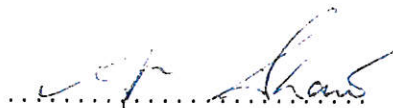
In light of the difficult financial conditions over the past twelve months, it is pleasing to report that the Fund has earned 8.61% for the year. With the crisis in European sovereign debt, talk of Greek default and Italian debt, and continuing unemployment in the USA, it is clear that this coming year will also be challenging. The Trustees are pleased to have maintained the security of the Fund over the past year and are confident that this can be maintained over the coming years.

Over the course of the past year, we asked a number of ministers for their views on the information provided in this Annual Report. We also compared our report to the winning entries in the competition run by the superannuation society Workplace Savings NZ. It was interesting to find that while many of the winning reports were much glossier than ours, the information provided was much the same. We have incorporated some of the suggestions people have made and, in particular, we have responded to the many suggestions for a brief summary of the benefits available from the Beneficiary Fund. We would like to hear if you have any other suggestions as to how we might further improve our report to be of greater benefit to you.

Our research also revealed that some retired members are unclear as to why they receive an annual letter asking whether they and their spouses are still alive. Sending a letter like this is standard practice and a requirement for retirement funds to confirm the accuracy of our records. We ask about your spouse because your spouse could be entitled to an annuity when you die, so we need to keep track of how many people we are responsible for in order to maintain adequate funds to meet all future commitments.



Very Rev Bruce Andrew Hansen  
Chair, Church Property Trustees



Rev Alan Shaw  
Co-convenor, Beneficiary Fund Committee

## The year at a glance

### People facts:

There were 253 ministers contributing to the Fund, 441 annuitants receiving an annuity from the Fund, and 21 members with 'frozen' benefits in the Fund. 21 members had supplementary account balances.

### Money facts:

This past year, ministers paid \$530,142 into the Fund, parishes and kindred service employers paid \$1,035,216, making a total of \$1,565,358. The Fund paid out total benefits of \$4,548,482.

The net assets of the Fund increased by \$2,855,054 from \$71,865,809 to \$74,720,863 at the end of the year.

The investments of the Fund generated gains of \$3,869,558 and capital gains amounting to \$2,459,394, resulting in a return for the year of 8.61% (after all investment expenses but before non-investment expenses).

## Annuities and lump sums on retirement

The major benefit for members is an annuity (paid monthly) and a lump sum on retirement. Up to half the annuity at retirement may be swapped (called commuted) for a lump sum, which may be used to assist in the purchase of a retirement home. The amount of the annuity and lump sum depends upon when each member joins the Fund and the age at which they retire. The table below gives an indication of what someone retiring today might receive if they opted for either no commutation or the maximum possible.

**minimum lump sum** – no annuity is commuted

**maximum lump sum** – 50 % of the annuity is commuted

age at entry	age at retirement	minimum lump sum		maximum lump sum		
		annuity	lump sum	half annuity	lump sum male	female
30	60	\$10,811	\$71,136	5,406	\$152,143	\$162,548
30	66	\$13,930	\$91,659	\$6,965	\$177,990	\$192,004
40	60	\$8,344	\$54,904	\$4,172	\$117,426	\$125,457
40	66	\$11,134	\$73,262	\$5,567	\$142,265	\$153,466
50	60	\$5,877	\$38,671	\$2,938	\$82,694	\$88,364
50	66	\$8,338	\$54,864	\$4,169	\$106,539	\$114,927

Note: Women who swap their annuity payments for a lump sum get a larger lump sum because on average women live longer so would have received more annuity payments.

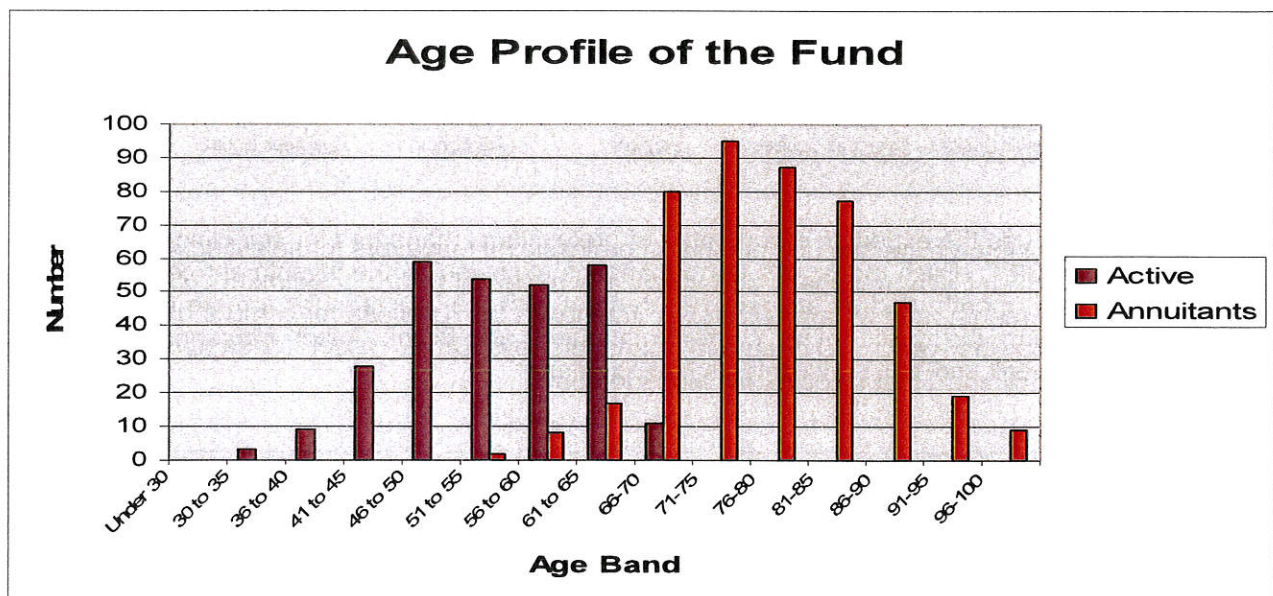
During the 2011 year, annuities being paid were increased by 0.95%, being half the increase in the consumer price index.

## The Membership

During the year, the number of members in the Fund decreased by one. A summary of the changes in membership is set out in the following table.

	2010/11	2009/10
<b>pre-retirement members</b>		
beginning of the year	275	276
new members	12	16
retirements	(9)	(15)
resignations	(4)	(2)
at the end	274	275
<b>annuitants</b>		
beginning of the year	450	450
retirements	9	15
new spouse annuities	6	8
deaths	(24)	(22)
child annuity cessation	-	(1)
at the end	441	450
<b>total membership at end</b>	<b>715</b>	<b>725</b>

The Fund is now termed a 'mature' fund, with more retired than 'active' members. The graph below shows the age profile of members of the Fund.



In addition to the retirement annuities, the Fund also pays a range of other benefits. This year's payments are listed in the table alongside.

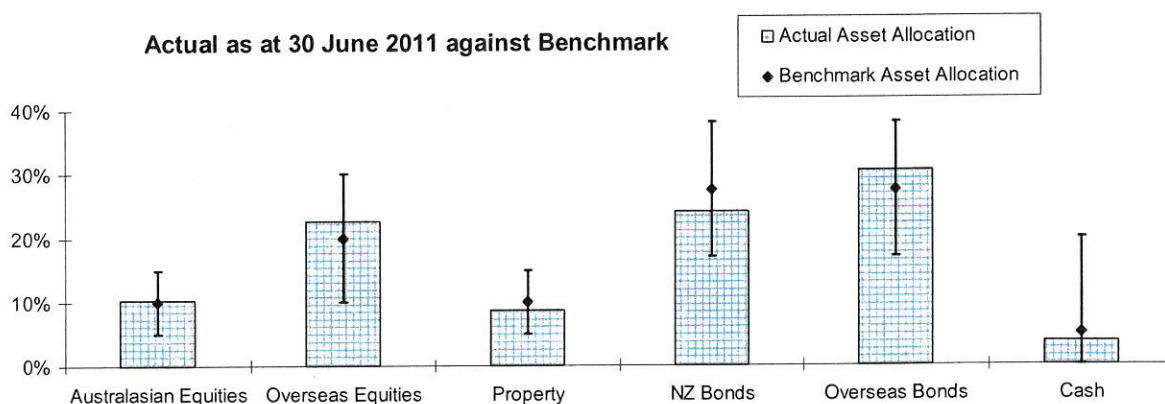
	2010/11
disability benefit	\$127,500
special grants	\$39,262
death benefit	\$34,026
total	\$200,788

## The Investments

The Fund has achieved a solid 8.61% return after investment expenses for the 2011 Fund year.

While the Fund has a greater number of older members than younger ones, most of the benefit payments are still many years into the future. For this reason the Fund continues to be invested with a view to maximizing its value over a 10 to 15 year period, while at the same time minimising the risk. This means the Fund does invest in assets like shares and property, which, while they have the risk of fluctuating in value in the short term, are the assets that have traditionally given the highest long-term returns.

The Trustees set the benchmark allocation and the level of risk for each type of asset class in their Statement of Investment Policies and Objectives (SIPO). The Trustees review the SIPO regularly but have made only minor changes in the last few years. The amount invested in each type of asset was very close to benchmark at the end of the year, though at times during the year the Trustees held significantly more cash. The graph below shows the actual allocation at year end, with the permitted range for each asset class shown by a line (eg Australasian equities has a benchmark allocation of 10% and permitted allocation of between 5% to 15% of total assets).

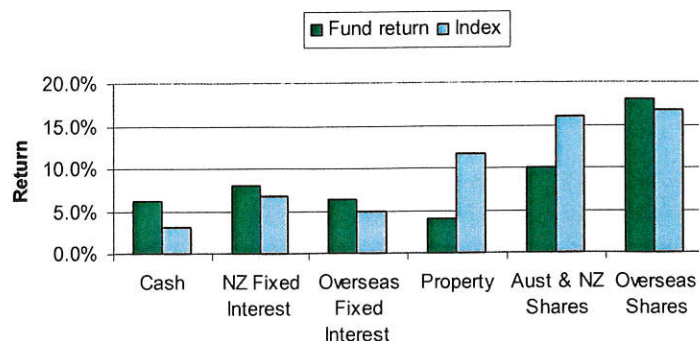


The Trustees use the expertise of a number of professional managers for selecting investments in line with the SIPO. Each manager's performance is reviewed by the investment committee of the Trustees each month, and all are required to meet with the Trustees for a more detailed review regularly during the year. The current managers are Brook Asset Management, Russell, OnePath, Tyndall and Trust Investments Management.

### How do we compare?

As shown in the graph, all the asset classes delivered positive returns and most of our managers have exceeded investment market returns over the 2011 year. Performance was disappointing for both Australasian equities and NZ property, where performance was well below the market average.

### Investment Performance - Year to 30 June 2011



## **Looking at the big picture**

Because the Fund collects money over the working life of a minister and then pays out funds over their retirement, the annual accounts do not give a real sense of whether the Fund can meet all of its commitments. For this reason the Trustees get a report every three years from the Fund's Actuary, who compares the value of the total payments that have to be made by the Fund in the future with the total of assets currently held by the Fund and future minister and parish contributions. This proves a robust indication of the viability of the Fund over the long term.

The last the three-yearly report of the Actuary was at 30<sup>th</sup> June 2009. At the date of the valuation, markets were very depressed. However, in the following months, asset values improved significantly and by the time the Actuary completed her report, she was able to confirm that the value of the investment portfolio was such that the level of future parish contributions payable to the Fund could remain unchanged. Since that time the Fund has continued to receive a higher return on its investments than the Actuary expected so the position has further strengthened.

## **About the Complying Superannuation Fund (CSF)**

### **Complying Superannuation Fund statistics**

The Complying Fund was started in 2009 in response to the government's KiwiSaver scheme. Any minister who joined the Fund after 1 January 2009 belongs to the Complying Fund.

- Value of assets \$157,700 for 33 members.
- Value of withdrawals subject to CSF rules is nil as no CSF members have exited or been paid benefits from the Fund.

### **Complying Fund rules and payment of a death benefit**

Generally, if you should die while a member of the Fund, the benefit payable in respect of any complying contribution made by or on your behalf will be paid as a lump sum to your personal representative, i.e. the executor or administrator of your estate. Except as outlined below, the Trustees have no discretion to vary how this death benefit shall be paid.

If a death benefit arising from complying contributions is less than \$15,000 and there is no personal representative, the Trustees may, at their discretion, pay the benefit to, for example, your dependants or other family members.

## The Summary Financial Statements

### Summary Statement of Changes in Net Assets for the Year Ended 30 June 2011

*(This tells you what we have received and paid out)*

	2010/11	2009/10
Change in Value of Investments (net of Fees)	3,869,558	5,331,015
Revenue from Investments	2,459,394	2,219,686
Investment Management Fees	(156,547)	(199,762)
Total Other Expenses	(286,022)	(340,630)
Legacies and Gifts	-	-
Contributions – Members	530,142	547,716
Contributions - Employers	1,035,216	967,646
<b>Total Benefits Paid</b>	<b>(4,548,482)</b>	<b>(5,032,769)</b>
Interest credited and deductions from Supplementary members and CSF members	(48,205)	(56,817)
<b>Net Increase in Net Assets</b>	<b>2,855,054</b>	<b>3,436,085</b>

### Summary Statement of Net Assets as at 30 June 2011

*(This tells you what the Fund 'owned' and what it 'owed' at the end of the year)*

	2010/11	2009/10
Funds invested by Fund Managers	75,139,113	72,148,557
Funds invested by Trustees	153,374	151,376
Other Assets of the Fund	364,052	471,627
<b>Total Assets of the Fund</b>	<b>\$75,656,539</b>	<b>\$72,771,560</b>
Liabilities of the Fund	86,180	71,601
Supplementary Benefit balances	849,496	834,150
<b>Total Liabilities of the Fund</b>	<b>\$935,676</b>	<b>\$905,751</b>
<b>Net Assets available for benefits</b>	<b>\$74,720,863</b>	<b>\$71,865,809</b>

### Summary Statement of Cash Flows for the Year ended 30 June 2011

*(This tells you where the money came from and went)*

	2010/11	2009/10
Net Cash Outflows from Operating Activities	(2,692,523)	(3,266,356)
Net Cash Inflows from Investing Activities	2,566,840	3,358,630
<b>Net Increase in Cash Held</b>	<b>(125,683)</b>	<b>92,274</b>
Opening Cash 1 July	221,285	129,011
Closing Cash 30 June	95,602	221,285

### Notes to Summary Financial Statements

These summary financial statements have been prepared in accordance with FRS-43 Summary Financial Statements. The full financial statements have been audited by Ernst & Young, who issued an unqualified opinion. The full financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice. The Fund has made an explicit and unreserved Statement of Compliance with IFRS in its full financial statements. The Fund is a profit oriented entity. Ernst & Young have examined the summary financial statements for consistency with the full financial statements and have issued an unqualified opinion. The summary financial statements cannot be expected to provide as complete an understanding as provided by the full financial statements.

The specific disclosures included in the summary financial statements have been extracted from the full financial statements that were approved by the Church Property Trustees on 29 September 2011.

The summary financial statements are in respect of its first NZ IFRS full financial statements. There were no recognition and measurement changes applicable to the Fund as at 30 June 2011, 2010 or 2009 as a result of the transition to NZ IFRS. These summary financial statements were authorised for issue by the Church Property Trustees on 29 September 2011.

*If you would like a copy of the full financial statements, and the full audit report, please contact the Church Property Trustees, P O Box 9049, Wellington and a copy will be posted to you (free of charge), or you can obtain a copy through the website [www.presbyterian.org.nz](http://www.presbyterian.org.nz).*



## Legal stuff we have to tell you

### **Certifications and other legal statements we need to make**

We are required by statute to notify you formally of various important things about the Fund.

- 1 We certify that all benefits required to be paid from the Fund in accordance with the terms of the Trust Deed and Regulations have been paid.
- 2 We certify that the market value of the assets of the Fund, as at 30 June 2011, exceeded the total value of the benefits that would have been payable had all contributing and frozen members of the Fund ceased to be members at that date and had provisions been made for the continued payment of all annuities and funeral benefits being paid to annuitants as at 30 June 2011.
- 3 We certify that there has been no investment exceeding 10% of the assets of the Fund in which the parishes have any interest.
- 4 We certify that there have not been any changes to the Trust Deed during the year to 30 June 2011.
- 5 All contributions required have been made to the Fund in accordance with the Trust Deed.
- 6 The current rates of contributions paid are in accordance with the recommendations of the most recent report of the Actuary.
- 7 We advise that in our opinion, after due enquiry by us, that:
  - the value of the Fund's assets relative to its liabilities (including contingent liabilities; and
  - the ability of the Fund to pay its debts as they become due in the normal course of its business;

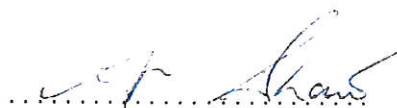
has not materially and adversely changed since 30 June 2011 and the date of this annual report.

#### 8 Complying Superannuation Fund

In order to qualify for the exemption from the requirement to maintain and file a prospectus, parishes were required, under the terms of the offer of Fund membership required by clause 7 of the Securities Act (Employer Superannuation Schemes) Exemption Notice 2004, to incur costs for the year ended 30 June 2011. It is confirmed that those costs were incurred.



Very Rev Bruce Andrew Hansen  
Chair, Church Property Trustees



Rev Alan Shaw  
Co-convenor, Beneficiary Fund Committee

## Membership changes

In this last year we have welcomed the following ministers to the Fund:

Ronald Bennett  
Hamish Galloway  
Silva Purdie  
Arii Taimataora

Matthew Chapman  
Robin Palmer  
Brent Richardson  
Peter Temita

Simon Cornwall  
Nyalle Paris  
Charles Spadow  
Michael Uttley

The following ministers have resigned from the Fund:

Colin Gordon  
Leslie Solomona

Dorothy Harvey

Roy Pearson

We wish the following ministers well in their retirement:

Ian Bayliss  
John Hunt  
Sa Si'itia-Asi

Les Carnew  
Peter Kirkpatrick  
Barry Tetley

Verna Healy  
Henry Morgan  
Uiva Vagana

We offer our condolences to the following people, who joined the Fund after the death of their minister spouse:

William Darbyshire  
Adrienne More

Diane Elvidge  
Dawn Quigley

Nancy Mence  
Lorna Rodgers

We were sorry to be advised of the deaths of the following members:

### Ministers

Stewart Anderson  
Shirley Fergusson  
Lawrence More  
Blair Rodgers

Wilfrid Downard  
George Heta  
Alan Quigley  
Wilton Vinten

John Elvidge  
Donald Mence  
Rangiora Rakuraku

### Spouses of ministers

Anne Baillie  
Florence Harper  
Marjorie Ryburn  
Maude Turner

Margaret Fairbairn  
Diane Kirkwood  
Doris Shaw  
Margery Welsh

Edna Gardiner  
Margaret Robinson  
Aimee Tankersley  
Paula White

### Woman Worker

Ethel Saunders

## The people and organisations involved with this fund

We are required to tell you the names and contact addresses of all the principal parties involved in the Fund.

### **The Trustees at 30 June 2011 were:**

Very Rev Bruce A Hansen (Chair), Dr John A Kernohan, Rev Perema Leasi, Rev M Christine Elliot, Dr Margaret N Galt, Mrs Margaret E Shailer, Messrs John H Craig, Roger J Gyles, C Paul Fenton, John W Harvey, Peter H Isherwood, John W Jones, Robert B McCay, J Brian Milne, Brian L Poole, Ian H Russon, W Mac Welsh, Paul H Westbury, Soo Land Wong.

Ms C Virginia Wilson resigned as a Trustee 25/11/2010.

5 new Trustees were appointed on 3/10/2010, they were; Rev M Christine Elliot, Messrs C Paul Fenton, J Brian Milne, Ian H Russon and Paul H Westbury.

### **The Beneficiary Fund Committee is:**

Revs Alan Shaw and Lynn Russell (Co-Convenors), Very Rev Bruce Hansen, Revs Peter MacKenzie and Christine Elliot, Mrs Fili Solomona, Ms Tanya Duncan, Messrs James Thomson and Douglas Langford (Secretary).

Ms C Virginia Wilson resigned from the Committee on 25/11/2010.

### **The Fund Secretary is:**

Douglas Langford, P.O. Box 9049, Wellington

Should you wish to write to the Trustees, or to the Beneficiary Fund Committee, please address your correspondence to the Fund Secretary at the above address.

### **The Administration Manager is:**

Aon Hewitt (formerly Aon New Zealand), PO Box 3167, Auckland

### **The Investment Managers are:**

Brook Asset Management Ltd

OnePath (NZ) Ltd

Russell Investment Group Ltd

Tyndall Investment Management Ltd

Trust Investments Management Ltd

### **The Actuary is:**

Ms Linda Caradus, of Melville Jessup Weaver, Wellington

### **The Auditor is:**

Ernst & Young, Wellington

### **The Solicitor is:**

Alasdair McBeth of DLA Phillips Fox, Wellington

0

0

## Independent Auditor's Report

### To the members of the Beneficiary Fund (the "Fund")

The summary financial statements on page 7, which comprise the summary statement of net assets as at 30 June 2011, the summary statement of changes in net assets, and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of the Fund for the year ended 30 June 2011. We expressed an unmodified audit opinion on those financial statements in our report dated 29 September 2011. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not contain all the disclosures required for full financial statements under generally accepted accounting practice in New Zealand. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the Fund.

This report is made solely to the Fund's members, as a body, in accordance with the Financial Reporting Act 1993, Superannuation Schemes Act 1989 and the Fund's Trust Deed. Our engagement has been undertaken so that we might state to the Fund's members those matters we are required to state to them in our report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's members as a body, for our work, for this report, or for the opinions we have formed.

### Responsibilities of the Members of the Governing Body

The members of the governing body are responsible for the preparation of summary financial statements in accordance with FRS-43: *Summary Financial Statements*.

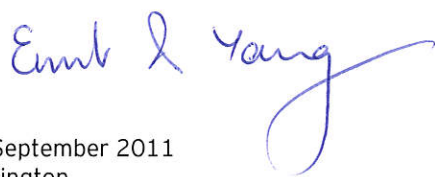
### Auditor's Responsibilities

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (New Zealand) (ISA(NZ)) 810, "Engagements to Report on Summary Financial Statements."

Other than in our capacity as auditor we have no relationship with, or interest in, the Fund.

### Opinion

In our opinion, the summary financial statements are correctly extracted from the audited financial statements of the Fund for the year ended 30 June 2011 and are consistent, in all material respects, with those financial statements, in accordance with FRS-43.



29 September 2011  
Wellington

