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**REPORT OF THE NEW ZEALAND ANGLICAN CHURCH PENSION BOARD TO THE GENERAL SYNOD / TE HĪNOTA WHĀNUI 2018**

Clause 3.2.2 of Title B Canon XIV requires The New Zealand Anglican Church Pension Board (the Board) to report annually to the Standing Committee of the General Synod / te Hīnota Whānui. This report to the General Synod / te Hīnota Whānui is a summary of the Board’s activities in the two years since the report to the 2016 General Synod / te Hīnota Whānui.

This report covers the calendar years of 2016 and 2017. However, please note, the Board’s financial year runs from 1 April to 31 March.

**MEMBERSHIP**

The Board members and their appointing bodies are:

Merv Gaskin General Synod Standing Committee

The Very Rev’d Lawrence Kimberley Tikanga Pākehā

Brendan O’Donovan General Synod Standing Committee

The Ven. Don Rangi Tikanga Māori

Tom Ricketts Tikanga Pasefika

Hugh Stevens General Synod Standing Committee

The Rev’d Vicki Sykes Ordained Ministers of the General Synod

David Wallace General Synod Standing Committee

The Very Reverend Lawrence Kimberley is the Chairperson and Merv Gaskin is the Deputy Chairperson.

At the General Synod / te Hīnota Whānui held in May 2016, Charles Hemana was replaced by the Venerable Don Rangi and the Most Reverend Philip Richardson was replaced by the Reverend Vicki Sykes.

Helen McKenzie (the Independent Trustee for the Koinonia KiwiSaver Scheme) was appointed to the Board, as its Licensed Independent Trustee, on 12 September 2016. Helen resigned on 31 March 2017 and was replaced by Brendan O'Donovan.

**BOARD GOVERNANCE**

The full implementation of the Financial Markets Conduct Act 2013 (“FMCA”) and its Regulations was the culmination of over two years work for the Board. As stated in our report in 2016, the FMCA introduced new licensing, supervision and governance requirements for financial service providers and financial products, new disclosure requirements for offers of financial products and improved investor protections.

The Board’s three retirement savings schemes transitioned to the FMCA regime on 12 September 2016.

Prior to the transition, a number of new governance requirements had to be implemented. A major requirement is that schemes such as the ones the Board is trustee of (known as restricted schemes) are required to have a Licensed Independent Trustee. To meet this requirement, at the General Synod / te Hīnota Whānui held in May 2016 Title B Canon XIV was amended to increase the number of Board members from seven to eight to include a Licensed Independent Trustee.

Governance documentation for the schemes (e.g. Trust Deed, Statement of Investment Policy and Objectives, and Product Disclosure Statement) had to be amended or created.

Mercer Sentinel was engaged to undertake an Operational Risk Assessment in relation to the operational set up and controls environment of the Board’s investment functions. Their overall comment was that the investment and administration functions were appropriate for an organisation of the Board’s size and complexity. There was a proper segregation of duties between investment and non-investment functions. They noted that the independence and experience of the Board and Investment Committee allowed for the robust oversight of the organisation’s activities. Key person risk was identified as an issue and the Board is currently considering an IT strategy.

The Board reviewed its investment management arrangement. The current in-house investment model was compared against an outsource investment model. It was decided that the in-house investment management model would be retained and be reviewed no later than 2019. As part of the review the role descriptions for the Board, Investment Committee and Management under the in-house investment model were confirmed.

A risk management policy was adopted and a risk management framework implemented. A major review of the Board Policy Document was undertaken and a Delegated Authorities Manual was adopted.

In accordance with clause 10.2 of Title F Canon III, the Board has established a process for annual performance review of the Board. The findings of the review are considered at the last meeting of the Board each year.

**GENERAL SYNOD STANDING COMMITTEE**

On 1 July 2016 the KiwiSaver withdrawal rules were changed to make it easier for those who have previously owned property to access their KiwiSaver savings in order to re-enter the housing market.

On 12 October 2017 a delegation from the Board met with the Standing Committee of General Synod / te Hīnota Whānui. Matters discussed were the Board’s strategic framework, key initiatives being undertaken by the Board, developments in the Board’s governance processes, clergy welfare and some challenges for the Board in this area.

The Board is appreciative of the time given to them by the Standing Committee and the constructive discussions at the meeting.

**FINANCIAL SERVICES REGULATION**

The Financial Markets Authority issued a guide to its view of good conduct for financial service providers. Some of the key principles are that the provider acts in the customer’s interest, fulfils its duties and obligations, has the skills and experience to competently provide a suitable service or product, has checks and balances in place to support good conduct and identify and address poor conduct.

The Financial Markets Conduct (KiwiSaver) Amendment Regulations 2017 introduced a regime for standard disclosure of prescribed information to KiwiSaver members on an annual basis.

The Automatic Exchange of Information regime which provides for the sharing of information between Inland Revenue and overseas tax authorities commenced on 1 July 2017. It requires that the Board provide prescribed information on members who are foreign tax residents unless exempted from doing so by Inland Revenue.

There are currently two Government Bills in progress that affect the Board. The Financial Services Legislation Amendment Bill overhauls the legislation overseeing the provision of financial advice. The Trusts Bill aims to clarify and simplify core trust principles and essential obligations for trustees, and will replace the Trustee Act 1956 and the Perpetuities Act 1964.

**INVESTMENTS**

Nearly all of the assets of the Board’s funds and funds managed under specific mandates are invested in the Board’s Investment Trust which is a registered Portfolio Investment Entity (PIE). The forest and forest property sectors are invested separately from the Investment Trust. The Board appoints an Investment Committee to manage the investments. The Investment Committee is appointed because of the investment and commercial expertise of the members.

The Investment Committee members are Ian Millard QC (Chair), Don Baskerville, Brendan O’Donovan, Kevyn Rendell, David Stevens and Hugh Stevens. Their dedication to this work, and their freely given time and commitment of skill in order to achieve the results are very much appreciated.

At the end of 2017 the funds under management stood at $206.1 million, an increase of $28.8 million from the end of 2015.

The Investment Trust and forests collectively produced returns of 7.2% gross (before expenses) in 2016 and 10.9% gross in 2017 [Note: these are calendar year returns not financial year returns].

**PENSION FUND**

The New Zealand Anglican Church Pension Fund is a scheme which provides a lump sum and lifetime pension upon retirement from stipendiary ministry. Since 23 May 2008, new members in Aotearoa, New Zealand have been required to join the Complying Fund Section of the Fund.

At 31 December 2017 there were 349 subscribers, 95 non-contributory members, 606 pensioners and 8 children receiving allowances.

The Fund’s net assets had increased by $8.3 million over the two years (from $109.0m to $117.3m).

The triennial actuarial review was conducted at 31 March 2017. The Actuary stated that the Fund remained in a sound financial position. The review disclosed an actuarial surplus of $6.6 million.

On 1 October 2016 the pension and lump sum rates for bishops ordained on or after 1 January 1993 and priests were increased by 2.0%. The rates for bishops consecrated before 1 January 1993 were increased by 0.4%.

On 1 October 2017 the pension and lump sum rates for bishops ordained on or after 1 January 1993 and priests were increased by 2.0%. The rates for bishops consecrated before 1 January 1993 were increased by 0.8%.

The different rates of increase were to allow the differential of bishops’ pensions above priests’ pensions to be decreased. Historically contributions by a bishop consecrated before 1 January 1993 were 120% of a priest’s contributions but the bishop’s pension rate was more than 120% of the priest’s pension rate. The policy was to decrease the differential over time until it reached the target (bishop’s pension rate being 120% of priest’s pension rate). This was achieved in 2017. From October 2018, any pension increase will be applied equally to bishops consecrated before 1 January 1993, bishops consecrated on or after 1 January 1993 and priests.

**THE RETIRE FUND**

The Retire Fund is a scheme which provides a lump sum benefit on leaving the service or employment of an approved charitable organisation in the Fund. The Fund is no longer open to new members.

At 31 December 2017 there were 292 members.

The Fund’s net assets had increased by $1.6 million over the two years (from $19.6m to $21.2m).

**KOINONIA KIWISAVER SCHEME**

The Koinonia KiwiSaver Scheme provides a lump sum benefit on attaining age 65 years (provided the member has been in KiwiSaver for at least five years). The offer of Koinonia Fund membership is restricted to the workers of Christian organisations and persons with a Christian affiliation (and their families).

At 31 December 2017 there were 1,737 members.

The Fund’s assets had increased by $12.5 million over the two years (from $29.7m to $42.4m).

At 31 December 2017 there were 67 employers who have appointed the Koinonia KiwiSaver Scheme as their Chosen Scheme for their employees.

**WELFARE EXPENDITURE**

Financial assistance to the clergy and their families is funded largely by the income from the Widows and Orphans Endowment. The other sources are investment income and a share of the annual distribution from the Bullock-Webster Estate.

The Board has a policy to maintain a reserve of approximately three years’ expenditure to protect against adverse investment years and when income is not available from the Widows and Orphans Endowment.

Assistance is provided via the following funds:

* The Health Fund assists retired clergy and clergy widows with major medical and surgical costs.
* The Basden Fund assists clergy and widows in the Diocese of Polynesia with the education costs of their dependent children.
* The Welfare Fund provides assistance to subscribers and pensioners of the Pension Fund who are in financial need.
* The Non Stipendiary Clergy Welfare Fund provides assistance to clergy and widows who are not members of the Pension Fund and who are in financial need.
* Other funds are available to assist with the costs of Chaplains to the Retired.

In the two years ended 31 December 2017 the net total assistance was $1.4 million.

At 31 December 2017 there was $1.3 million retained income for future allocation and a further $1.4 million will be available in 2018. At that date the capital of the Widows and Orphans Endowment was $15.6 million and the Welfare Fund was $0.1 million.

**SUPPLEMENTARY SUPPORT FUND**

The Supplementary Support Fund is a Sickness, Accident, Disablement and Death Fund approved by the Inland Revenue Department. The Board is the Trustee and Administrator of the Fund.

The Fund provides, by way of two insurance policies, a lump sum benefit on the death of a member while in service, and a continuing income when a member suffers an illness or disablement making them unable to work for at least 90 consecutive days.

Te Pīhopatanga o Aotearoa and all the New Zealand Dioceses except Auckland participate in the Supplementary Support Fund. A number of other Church employers also participate.

At 31 December 2017 four members were in receipt of insurance payments due to long term illness. In the two years to 31 December 2017 there were three Death Benefit payments and two Terminal Illness Benefit payments.

**ANCILLARY SERVICES**

The Board undertakes services for the Anglican Church, some of which provide benefits to other Churches. These bodies report separately to the General Synod/te Hīnota Whānui.

* **THE ANGLICAN INSURANCE BOARD (AIB)**

The Board provides secretarial, administration, IT operations, financial and investment services to AIB.

Costs are paid by AIB.

* **THE INTER CHURCH BUREAU (ICB)**

The Board provides secretarial, financial and administration services to ICB. There are over 30 Churches involved, representing almost all NZ Christian denominations. ICB is a new body combining (and replacing) the work of the Inter Church Working Party on Taxation, AllChurches Bureau and AllChurches Services Limited.

Costs are paid by the various Churches, with AIB and General Synod/te Hīnota Whānui funding the Anglican Church’s share.

* **THE ANGLICAN LEGISLATION UNIT (ALU)**

The Board provides co-ordination, secretarial and financial services to ALU. The ALU replaced the Anglican Tax Unit and operates under the guidance of the CSSC appointed Reference Group.

Costs are funded by the General Synod/te Hīnota Whānui.

**STAFF**

The Board employs twelve fulltime and five part-time staff under the management of Mark Wilcox. Mark and his team are motivated by a concern for the wellbeing of the clergy and Church people, and a desire to provide effective and efficient service to the members and the Church. We thank the staff for their dedicated work.

The Very Reverend Lawrence Kimberley

**CHAIRPERSON**

7 March 2018