



REPORT OF ANGLICAN FINANCIAL CARE TO THE GENERAL SYNOD / TE HĪNOTA WHĀNUI 2022

Clause 3.2.2 of Title B Canon XIV requires The New Zealand Anglican Church Pension 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 2020 General Synod / te Hīnota Whānui.

The trading name of The New Zealand Anglican Church Pension Board is Anglican Financial Care *Te Maru Mihinare (AFC)*.

This report covers the calendar years of 2020 and 2021. However, AFC's financial year runs from 1 April to 31 March.

AFC's GOVERNANCE

AFC operates under a Charter which fosters principles of good governance and establishes the roles and responsibilities of the Board of AFC, as well as the moral and legal obligations of individual AFC Board members. The Board formally assesses its performance and the skills mix of Board members once a year.

The Board members and their appointing bodies are:

The Rev'd Canon Ihaka Beach	Tikanga Māori
Kerry Burridge	General Synod Standing Committee
The Very Rev'd Lawrence Kimberley	Tikanga Pākehā
Brendan O'Donovan *	General Synod Standing Committee
Andrew Johnson **	General Synod Standing Committee
Tom Ricketts	Tikanga Pasifika
Hugh Stevens	General Synod Standing Committee
The Rev'd Vicki Sykes	Ordained Ministers of the General Synod
David Wallace	General Synod Standing Committee

* (Until 25 July 2021) ** (from 26 July 2021), each being AFC's Licensed Independent Trustee

The Very Reverend Lawrence Kimberley is the Chairperson and The Reverend Vicki Sykes is the Deputy Chairperson.

There were two changes to Board membership during the reporting period, with the Reverend Canon Ihaka Beach appointed by the General Synod/te Hīnota Whānui in 2020. Ihaka replaced the Venerable Don Rangi QSM who had served on the Board since 2016. Andrew Johnson was appointed by the General Synod Standing Committee to replace Brendan O'Donovan who had served on the Board since 2017. Brendan continues on the Board Investment Committee as Chair.

Bishop Waitohiariki Quayle of Te Pihopatanga o Te Upoko o Te Ika (Upoko) appointed Don as kaumatua to AFC as a first step in establishing a hononga between AFC and Upoko.

AFC's September 2021 Board meeting had been planned to be held in Palmerston North, hosted by Upoko. Unfortunately, this had to be cancelled due to travel uncertainties related to Covid. AFC will pick up on this initiative again, when the pandemic no longer prevents such gatherings.

BOARD FEES

In 2020 the Board introduced an 'opt in' meeting fee policy for Board members. Under the policy, Board Members are entitled to elect to receive meeting fees for their attendance at Board and Board Committee meetings. The fee schedule is reviewed biennially. The next review is set down for August 2022.

The current fee schedule is set out below. The Board Chair's claimable fees are higher, in recognition of the significantly greater workload. By law, the Board must have a Licensed Independent Trustee (LIT). The fee paid to the LIT during the reporting period was \$32,000 per annum (this changed to \$33,500 per annum in July 2021).

Opt-in fees for Board:

- Chair of Board: \$12,000 per annum (includes all Committee work and engagement with the Chief Executive) paid quarterly and reduced by \$1,500 for each Board meeting unable to be attended.
- Other Board members (excluding the LIT): \$1,500 per meeting attended. Maximum \$7,500 per member per annum.

Opt-in fees for Committees:

- Investment: \$1,000 per meeting attended. The Investment Committee is permanent and meets quarterly for around three hours per meeting.
- IT: \$300 per meeting attended (excluding advisory members who are remunerated separately). The IT Committee is temporary and met monthly up until October 2021. The maximum fee payable is \$3,000 per member per annum.
- People & Culture: The Committee is permanent and meets for special purposes (including the annual CE appraisal, and people strategy discussions initiated by the CE or the Board). \$500 per quarter when light work has been required in the quarter and \$1,000 when more significant work is required. The maximum fee payable is \$4,000 per member per annum.

Eight Board and Committee members opted in to claiming in accordance with the fee schedule over the reporting period. A total of \$76,500 was claimed over the two years.

NEW CHIEF EXECUTIVE

In December 2020, AFC's Chief Executive Mark Wilcox announced his resignation, to take effect in September 2021. Mark was Chief Executive (formerly General Manager) from 2013.

Mark led the organisation through a period of significant change, developing strong commercial discipline during his tenure—a period during which funds under management (**FUM**) grew by 50% and organisational capacity and capability were also significantly enhanced.

The Board undertook a robust recruitment process, following which it appointed Margaret Bearsley as the new Chief Executive. Margaret commenced shortly before Mark's departure, and was provided with a thorough induction and handover.

Margaret is experienced in the financial markets from the regulatory side, having been in the legal team of the New Zealand Takeovers Panel from the early 2000s and then, in 2011, becoming its Chief Executive. Before commencing with AFC, she was manager of the Accident Compensation Corporation's Corporate Secretariat, giving her exposure to ACC's investment governance over its \$50 billion investment fund.

50 YEARS OF PENSION FUND SERVICES

Plans commenced towards the end of 2021 for celebrating AFC achieving its 50th anniversary. That means 50 years during which AFC has served the financial wellbeing of the Anglican clergy and other Church workers, through providing financial benefits for their retirement.

AFC's Christian KiwiSaver Scheme (**CKS**) is a restricted Scheme that is open to clergy (both stipendiary and non-stipendiary), minita-a-iwi, and all Christians as well as to those who work for Christian organisations. CKS is becoming a more and more significant part of AFC's investment services, and by the end of 2021 comprised more than a third of total FUM and was about three fifths the size of the Pension Fund.

In our 2020 report we noted that total FUM was \$226 million at 31 December 2019. By 31 December 2021 it was \$267 million, an increase of 18%. It is exciting to be both a very stable financial institution, and also a growing one.

Due to the ongoing nature of the pandemic, the 50-year milestone is likely to focus on digital content rather than physical events.

STRATEGY

AFC has articulated its desired future state as one in which the organisation is connected, robust, ethical, supportive, thriving and scalable. AFC intends to review this strategy to ensure it encapsulates a Christian focus: AFC is not just any investment institution; it is Anglican, it is ecumenical, and its services are available to all Christians.

AFC must continue to grow its scale, as the cost of doing business keeps increasing in the highly regulated and competitive financial markets environment. One of the challenges—and opportunities—for growth is the changing nature of the Church.

We expect the Pension Fund ultimately to stop growing and to start to reduce, as older clergy draw their benefits and fewer stipendiary clergy come into the Fund. We support the growing roles for non-stipendiary clergy and lay Church workers through CKS—formerly known as Koinonia KiwiSaver Scheme. The CKS fund continues to grow with new members and more money invested, and by 31 December 2021 CKS had \$85.4 million in investment funds (\$57.1 million in 2019) a 49.6% increase, compared with \$135.9 million in the Pension Fund (\$124.8 million in 2019) an 8.9% increase.

The greater our FUM, the more we can spread the costs of the resources required to manage it. However, the costs of doing business continue to increase. In particular, there are the costs of increasing regulatory obligations, and infrastructure upgrades must also be made. The Pension Fund's fee charges to members are likely to have to slightly increase in the coming years, unless growth in FUM (most likely through CKS growth) can offset the effects of higher operating costs.

We continue to encourage Christian employers, such as private schools and charities, as well as parishes and rohe, to promote the merits of their staff and members joining the ethically invested Christian KiwiSaver Scheme (www.christiankiwisaver.nz). In doing so they will be investing in their own futures and supporting AFC's ongoing mission to enhance the financial wellbeing of the clergy.

AFC's business plan for 2021 was intended to focus on member centricity. It had been hoped that a very significant IT infrastructure development (which was managed internally, sapping our resources) would have been completed in 2020. But 'go-live' occurred only in late 2021, leaving a great deal of 'bedding in' yet to be achieved. Accordingly, many of the planned member-centric initiatives planned for 2021 languished.

These initiatives were:

1. Developing a centralised clergy and Church worker database (working with the Church)—*not started by AFC*
2. Expanding the member communications strategy—*this is going well with a new Marketing & Communications Manager joining the team in April 2021*

3. Reviewing the effectiveness of our outreach programme (how we connect with our members – e.g. seminars, focus groups), planned to involve visits to the following Dioceses and hui amorangi: Christchurch, Dunedin, Manawa o te Wheke, Nelson, Tairawhiti, Tai Tokerau, and Waiapu—*this was severely restricted by the impacts of Covid*
4. Implementing the clergy housing partnership with the Wellington Diocese—*this just got underway at the end of 2021*
5. Facilitating a new approach to welfare support for Tikanga Māori—*this got underway in 2020, and a small working group was established in February 2021. As described more fully below on page 6, this is moving forward*
6. Implementing our regulated financial advice initiative—*this was not achieved, as the study requirements for becoming licensed were too heavy on top of staff's busy workloads*
7. Identifying a network of financial advisors so that AFC can refer members who are interested in financial planning services—*this was not achieved in 2021, but is now commencing*
8. Enhancing the AFC website with financial literacy resources—*not started during the reporting period, but commencing in 2022.*

AFC undertook a clergy survey in 2019 which identified, among other things, that retirement housing was an important and worrying issue. A motion to set up a small working group (**SWG**) to explore the issue was passed at the 2020 General Synod/te Hīnota Whānui. A budget of \$25,000 was provided by the General Synod/te Hīnota Whānui for the work of the group, and Rev'd Vicki Sykes (the AFC Board's Deputy Chair) convened and coordinated the SWG.

The SWG is providing a report to this General Synod/te Hīnota Whānui 2022. The AFC Board supports that report, although the Board's support for the recommendations in the report that involve AFC is dependent on appropriate resourcing being available to AFC.

RISK MANAGEMENT

As part of managing its infrastructure risks, which include key person risk and technology obsolescence, AFC has undertaken a programme of work to replace our IT platform for most of our investment services to members. We called this Project Supertec. The project delivery was constantly pushed out due to unexpected complexity and additional essential scope for the developers to deal with. However, the quality of the work has been good and the new Supertec registry system is running at last and its processes and systems are bedding in.

Aura Security tested the IT systems in late 2020 and identified a number of action items which are being systematically resolved to improve our IT security. Cyber risk training occurs periodically across the staff, to maintain their awareness of cyber risks.

There were no notifiable Health & Safety incidents during the reporting period. However, risks around workplace stress (including heat stress) increased. Flexible working arrangements were instigated post the first 2020 Covid-19 lockdown, and an air conditioning system was installed at Anglican House. Heat and cold issues remain ongoing challenges in a large, old building.

Seismic strengthening of Anglican House was completed albeit with some cost escalation.

We received unqualified opinions (clean audit reports) from our auditors EY for the years ended 31 March 2020 and 2021.

There were no instances of material legal non-compliance.

SUPPORT OF CLERGY AND OTHER CHURCH WORKERS

Our three-year cycle of Church worker engagement was suspended in 2020 due to Covid-19 restrictions. It had been hoped that the scheduled seminars would recommence in 2021, but that was not to be. This has highlighted the need for us to take a more flexible approach, and we are now working on providing on-line engagement.

During 2020, Management met with Canon Ihaka Beach and Bishop Waitohiariki to discuss a mechanism (and protocols) for how AFC could engage better with Tikanga Māori. This was followed by the formation of a small working group in February 2021 to consider the creation of a differentiated financial assistance application and approval process that catered more appropriately to Tikanga Māori. This group comprised the Rev'd Canon Ihaka Beach, the Rev'd Ruihana Paenga, the Rev'd Canon Christopher Douglas-Huriwai and Bruce Dutton (from AFC). A model using a local Komiti with delegated authority from AFC was proposed. It is to be trialled in two Hui Amorangi.

The Widows and Orphans Income Distribution Account (WOIDA) and the Welfare Fund provide financial assistance to retired clergy, clergy in financial need and clergy widows and widowers. Assistance can be by a grant or a loan.

WOIDA grants decreased during our 2020/21 financial year, nearly all due to lower Health Fund grants (down 17% on the previous year) and lower Welfare Fund grants (down 29% on the previous year). This was a result of lower claims during the Covid-19 lockdown and afterwards, and on restrictions imposed on grant levels due to concerns about future funding levels.

During 2020, assistance of \$51,500 was provided by way of WOIDA loans (\$69,543 in 2019). In 2021, WOIDA loans of \$40,289 were provided.

The amount of financial assistance provided in 2020 and 2021 to clergy and clergy widows/ers in financial need, by Tikanga, is shown in the following table. AFC monitors these figures as one step towards tracking the progress in achieving equity in support across the Tikanga.

Tikanga	Amount	% of total
Māori	\$148,504	31.4%
Pākehā	\$178,535	37.7%
Pasefika	\$146,184	30.9%

A special grant of \$4,000 was provided in 2020 to Te Hui Amorangi o te Manawa o te Wheke towards their Minita Care Boxes initiative.

INVESTMENTS

The Board appoints an Investment Committee with suitable experience and expertise to oversee the investments. There were several changes to the composition of the Investment Committee during 2021, with Wayne Head being appointed in March 2021 and Suzanne Wolton in October 2021. In June 2021, Hugh Stevens was replaced by Rosemary Hambling. Hugh had served on the Committee since 2015 and remains a current member of the AFC Board. The Investment Committee members are currently Brendan O'Donovan (Chair), Don Baskerville, Rosemary Hambling , Wayne Head, Andrew Johnson, Kevyn Rendell, Ross Tanner and Suzanne Wolton. We are indebted to our Investment Committee for their astute oversight, and to our in-house investment management team for their ongoing prudent management of members' funds.

AFC's total FUM grew by \$40.6 million (18%) to \$266.8 million over the two-year period to 31 December 2021. The two main drivers were: 1) the significant rebound in financial markets following the early Covid-19 induced slump; and to a lesser degree, 2) significant voluntary lump-sum contributions into CKS, probably due to the low interest rate environment.

During 2020 we surveyed Christian KiwiSaver Scheme members to assess how they view our services and to understand what matters to them when it comes to how CKS approaches its investing. This gave us helpful insights into the importance of negative screening (i.e., avoiding investments such as weaponry), reinforcing that applying Christian values to our investment decisions is important to our members. We also learned that human impact issues (e.g., human rights and labour rights) are more important to our members than avoiding specific industry categories such as tobacco or alcohol. This sits well with our nuanced ethical approach to investing.

The Investment Committee agreed to some changes in AFC's ethical investment practices which have resulted in a more active approach to our governance in that respect. As the Trustee of the investment funds, AFC's first legal obligation remains to act in the best interests of members, usually seen as maximising risk-adjusted returns. In fulfilling this obligation, AFC management

implements, and the Investment Committee oversees, to the extent possible, the ethical investment policy so as to reflect the vision of the Board and the Church.

An international corporate advisory firm, Institutional Shareholder Services (ISS), has been appointed to provide research that enables management to report on the Responsible Investment characteristics of our portfolios. This enables management to alert the Investment Committee to ethical issues, through 'red flag' controversy reporting, at the industry, portfolio, and entity levels.

The Board approved a new Ethical Investment Policy incorporating elements of an investment theology and new statements on Animal Welfare and Alcohol.

The CKS website was refreshed to underscore our Christian values-based approach to investing.

Back in 2016, AFC sold a right for a third party to harvest our mature pine forest in Hawke's Bay. The harvest was completed and all remedial works to the forest infrastructure were completed in 2021. Replanting of the land will be completed in 2022.

During 2019, the Investment Committee reviewed its mortgage lending policy and decided to restrict new lending to clergy only (formerly, any Christian could apply). In 2021, we were able to open up mortgage lending again to all our members.

The Very Reverend Lawrence Kimberley
CHAIRPERSON

10 March 2022

APPENDIX

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 2021 there were 311 subscribers, 102 non-contributory members, 621 pensioners and 5 children receiving allowances.

The Fund's net assets had increased by \$11.1 million over the two years (from \$124.8m to \$135.9m).

The Pension Fund's actuarial position deteriorated between 31 March 2019 and 31 March 2020 following the impact of Covid-19 on investment markets which led to a significant decline in the value of assets and an uncertain economic outlook. The overall deficit was \$5.0 million (2019: \$10.2 million surplus). The Trustee agreed that there would be no increase in pensions in 2020. Investment performance rebounded in later 2020 and provided a solid actuarial valuation for the Pension Fund at 31 March 2021. This resulted in a surplus of \$12.2 million and a solvency ratio of 112.7%, allowing for a 4% pension increase for members in 2021.

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 2021 there were 241 members.

The Fund's net assets had increased by \$1.8 million over the two years (from \$21.1 million to \$22.9 million).

CHRISTIAN KIWISAYER SCHEME

The Christian KiwiSaver Scheme (formerly known as 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 Christian KiwiSaver Scheme membership is restricted to the workers of Christian organisations and to persons with a Christian affiliation (and their families).

At 31 December 2021 there were 1,903 members, an increase of 196 (10.3%) since 31 December 2019.

The Fund's net assets had increased by \$28.3 million over the two years (from \$57.1 million to \$85.4 million).

At 31 December 2021 there were 67 employers who have appointed the Christian 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.

AFC 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 2021 the net total assistance was \$1.5 million.

At 31 December 2021 there was \$1.5 million of retained income for future allocation. At that date the capital of the Widows and Orphans Endowment was \$16.3 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 AFC Board is the Trustee and AFC is the 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 2021 three members were in receipt of insurance payments due to long term illness. In the two years to 31 December 2021 there were no Death Benefit payments and no Terminal Illness Benefit payments.

ANCILLARY SERVICES

AFC undertakes various ancillary 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)**

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

Costs are paid by AIB.

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

AFC provides secretarial, financial and administration services to ICB. ICB is an ecumenical group that monitors taxation, finance, risk management, and property issues of common concern. There are over 30 Churches involved, representing almost all NZ Christian denominations.

Costs are paid by the various Churches, with the General Synod/te Hīnota Whānui funding the Anglican Church's share via the Anglican Legislation Unit.

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

Up until mid-2021, AFC provided co-ordination, administration and financial services to the ALU. The ALU operates under the guidance of the GSSC appointed Reference Group. In mid-2021 the person who resourced the ALU's work resigned and no replacement was found. The ICB and GSSC are working on a solution.

Costs have been funded by the General Synod/te Hīnota Whānui.

- **BAPTIST UNION SUPERANNUATION SCHEME (BUSS)**

AFC administers the BUSS for which it is paid a time-based fee.