

**REPORT OF ANGLICAN FINANCIAL CARE TO THE GENERAL SYNOD / TE HĪNOTA WHĀNUI 2020**

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 2018 General Synod / te Hīnota Whānui.

The New Zealand Anglican Church Pension Board trades under the name Anglican Financial Care *Te Maru Mihinare* (‘**AFC**’).

This report covers the calendar years of 2018 and 2019. However, please note, the Board’s financial year runs from 1 April to 31 March.

**BOARD GOVERNANCE**

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

The Board members and their appointing bodies are:

Kerry Burridge 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 The Reverend Vicki Sykes is the Deputy Chairperson.

The General Synod Standing Committee appointed Kerry Burridge to the Board in July 2018 following the resignation of Merv Gaskin in June 2018. Merv had served the Board for 32 years including chairing for two periods totalling 14 years. Merv was presented with a Letter of Recognition from the Archbishops of Aotearoa, New Zealand and Polynesia at his farewell in recognition of his esteemed service.

**A NEW NAME**

In August 2019, the organisation changed its trading name to Anglican Financial Care. We were gifted the accompanying Te Reo name of *Te Maru Mihinare, Maru* being a place of shelter or safety, and *Mihinare* the normal Māori word for the Anglican Church. The new name makes it clear that the organisation offers more than just pensions. A new website was launched including a richer ‘member only’ section. We intend to add more content over time.

**STRATEGY**

## AFC’s stated purpose is to provide high quality superannuation services and other financial support to the clergy and lay employees of the Anglican Church in Aotearoa, New Zealand and Polynesia, and to their dependants. Our vision is that members will have financial peace of mind.

The Board has articulated its desired future state as one in which the organisation is thriving, connected, supportive, ethical, robust, scalable and diverse. The Board’s strategy is built around delivering this picture of success.

**In order to thrive in the long run, AFC must grow its scale**. AFC’s total funds under management (FUM) were $226m as at 31 December 2019 of which the Pension Fund’s assets comprised just over half of that figure. We expect Pension Fund FUM to reduce, albeit slowly, over time (especially in the anticipated lower investment return environment) and significant energy is going into growing the membership and FUM of the Christian KiwiSaver Scheme (CKS) – formally Koinonia KiwiSaver Scheme - which has grown to be almost half the size of the Pension Fund ($57m as at December 2019). AFC’s costs continue to increase, due in part to increasing compliance obligations and new infrastructure spend. The Pension Fund will accordingly become more expensive to run unless CKS growth can more than compensate for a shrinking Pension Fund and the effect of higher operating costs. **We encourage parishes and rohe to promote the merits of their members joining the ethically invested Christian KiwiSaver Scheme (**[**www.christiankiwisaver.nz**](http://www.christiankiwisaver.nz)**). In doing so they will be supporting AFC’s ongoing mission to enhance the financial wellbeing of the clergy.**

**RISK MANAGEMENT**

Key strategic initiatives have included commencing a programme of work to replace our IT platform. The current platform is increasingly reliant on a key individual in the organisation and while the system is very stable the programming language is obsolete. Phase 1 of the strategy has entailed implementing a new General Ledger system (complete) and engaging a firm to develop a new member registry (due for implementation in June 2020). We have also been steadily scanning all our member files on to electronic records.

In 2017, following some high profile lapses in culture and conduct within the industry resulting in a Royal Commission into Australian’s financial services sector, the Financial Markets Authority (FMA) issued a principles-based guide to conduct in the industry in New Zealand. In response, AFC decided to undertake an internal review under the five key principles of capacity, conflict, culture, control and communication. AFC, as a strongly customer (member) focused organisation, self-assessed in a positive light. However, three minor gaps were noted, all of which have now been closed.

A building consent has been received for work to seismically strengthen Anglican House, the building we occupy together with the Anglican Missions Board. The work includes enhancing accessibility and mitigating fire risk.

The Pension Fund Trustee resolved that a same sex spouse could be recognised as a spouse for the purposes of entitlement to spousal benefits paid from the Pension Fund. The Board’s legal opinion from Ian Millard QC aligned with a separate opinion obtained by the Archbishops.

**FINANCIAL SERVICES REGULATION**

During the period three major pieces of legislation affecting AFC were enacted. They related to KiwiSaver, financial advice and trusts.

The KiwiSaver Act 2006 was amended to introduce new contribution rates for members, reduce the maximum period for a savings suspension to 12 months, allow people over age 65 to join a KiwiSaver scheme, allow members who were aged 60 or over when they joined to opt out of the five year lock-in period and allow a foster parent, or kin carer, to open a KiwiSaver account for a child in their care. Currently before Parliament is a proposed amendment to allow members with life-shortening congenital conditions to withdraw their savings early.

Regulations were issued requiring the inclusion of lump sum at age 65 and weekly income projections, and a “Consider your choices” statement in KiwiSaver annual statements. The requirements are effective for the annual statement for the year ended 31 March 2020.

The Financial Services Legislation Amendment Act 2019 changes the way financial advice is regulated and delivered, and introduces new classifications and a new code of conduct for financial advice providers. AFC is looking at becoming a licensed financial advice provider to enhance our service to scheme members.

The Trusts Act 2019 **replaces the Trustee Act 1956 and the Perpetuities Act 1964. Its purpose is** to modernise and clarify trust law, codify the mandatory and default duties on trustees, simplify the core principles of a trust and provide mechanisms to resolve trust-related disputes. **The Act will come into force on 30 January 2021.**

**INVESTMENTS**

The Board appoints an Investment Committee with suitable experience and expertise to manage the investments. The Investment Committee members are currently Brendan O’Donovan (Chair), Don Baskerville, Andrew Johnson, Kevyn Rendell, Hugh Stevens and Ross Tanner. During 2019, the Board farewelled two very long standing Committee members. Ian Millard QC (former Chair) and David Stevens had collectively served for over 50 years and the fruit of their work governing the investment portfolio through many economic cycles was celebrated.

AFC’s ethically invested investment portfolio grew by $21m (10%) to $226m over the two year period to December 2019 with Pension Fund FUM growing by $7m (6%) and CKS FUM by $15m (35%).

CKS contributions (net of withdrawals) were more than offset by net Pension Fund outflows (more pension payments than pension contributions). Accordingly, the main driver of FUM growth was investment returns. The Schemes and funds collectively produced a modest return of 1.8% gross (before expenses) in calendar year 2018 but a stellar return of 16.4% gross in 2019 driven largely by the performance of Australasian and global shares.

In 2019 the investment management team attended a series of seminars to help inform a Christian based investment theology which would be incorporated into AFC’s ethical investment policy. The Christian tradition recognises that economic decisions are made in a world which is marred by human failure and its consequences. Accordingly, AFC’s investment activity will no longer be defined by what is to be rejected (although we will always be aware of the presence of evil in the world, and will be willing to forgo investment opportunities that lack a redemptive purpose) but rather will be informed first by a desire to support and encourage what is good.

During the period the Investment Trust made some significant new global private equity investments as well as a major investment in a global alternative energy fund.

Back in 2016, AFC sold a right for a third party to harvest its mature pine forest holding in the Hawkes Bay while retaining ownership of the land. The harvest is expected to conclude in 2020 and replanting of the land has already commenced. Forestry land values have increased significantly in the last two years due to perceived value in sequestering carbon.

During 2019, the Investment Committee reviewed its mortgage lending policy and decided to restrict new lending business to clergy only (formerly, any Christian could apply).

The Very Reverend Lawrence Kimberley

**CHAIRPERSON**

4 March 2020

**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 2019 there were 319 subscribers, 113 non-contributory members, 616 pensioners and 6 children receiving allowances.

The Fund’s net assets had increased by $7.5 million over the two years (from $117.3m to $124.8m).

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 2018 and 1 October 2019 the pension and lump sum rates for bishops and priests were increased by 2.0% respectively.

**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 2019 there were 264 members.

The Fund’s net assets had decreased by $0.1 million over the two years (from $21.2m to $21.1m).

**CHRISTIAN KIWISAVER 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 persons with a Christian affiliation (and their families).

At 31 December 2019 there were 1,903 members, an increase of 166 (9.5%) since 31 December 2017.

The Fund’s net assets had increased by $14.7 million over the two years (from $42.4m to $57.14m).

At 31 December 2019 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 2019 the net total assistance was $1.7 million.

At 31 December 2019 there was $1.4 million of retained income for future allocation and a further $0.7 million will be available in 2020. At that date the capital of the Widows and Orphans Endowment was $16.0 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 2019 three members were in receipt of insurance payments due to long term illness. In the two years to 31 December 2019 there were no Death Benefit payments and no Terminal Illness Benefit payments.

**ANCILLARY SERVICES**

The Board 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)**

## The Board provides secretarial, financial and administration services to ICB. The ICBis 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)**

The Board provides co-ordination, administration and financial services to ALU. The ALU operates under the guidance of the GSSC appointed Reference Group.

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

* **BAPTIST UNION SUERANNUATION SCHEME (BUSS)**

The Board administers the Baptist Union Superannuation Scheme for which it is paid a time-based fee.