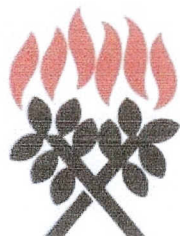


The Presbyterian Church of Aotearoa New Zealand



Annual Report to Members of the Beneficiary Fund

For the year ending 30 June 2008

Trustee: The Presbyterian Church Property Trustees

Administration
Manager: Aon New Zealand Limited

Introduction

For some years we have described the Fund as being mature – meaning that there are more members receiving an annuity than contributing to the Fund, with a resulting outflow of funds over time. However, these funds have been accumulating over the years, and the most recent actuarial valuation in June 2006 showed that the fund is able to meet all of its liabilities as they arise. Actuarial valuations are done every three years so the next one is due in June 2009.

A lot of the focus of the Trustees and the Beneficiary Fund Committee, during the year under review, has been to consider the option of amending the Trust Deed in the light of the KiwiSaver legislation enacted by the government in December 2007. While it was always clear that the provision of a complying section would add to the complexities of administration, the advantages to both members and the Church outweighed this and the required changes were agreed to by presbyteries and ultimately General Assembly in October 2008. It should be noted that these changes only affect new ministers and active ministers who elect to participate in the Complying Section. **They will have no effect on retired ministers.**

The changes also provided an opportunity to amend the benefits new members will receive to remove some anomalies and ensure that the amount any member receives in benefits is more closely aligned to their contributions and service. This will take effect from 1st January 2009. It needs to be stressed that as none of these changes affect existing members it was not necessary to obtain their approval

During the year we have seen 12 ministers retire. This is in keeping with the upward trend in the level of retirements that we have been anticipating. Eight new members were admitted and it is pleasing that most of these new members were of a younger age than has been the norm for some time. However overall the membership has declined in total as a result of the deaths of 12 ministers and 9 spouses.

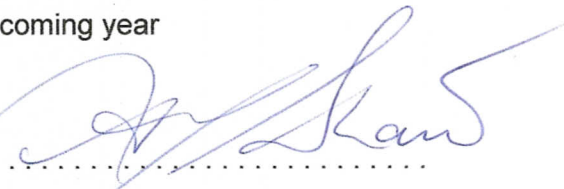
As we write this report the investment climate is changing markedly, with a much greater level of uncertainty in financial markets. In recent years the Trustees have been moving to a more conservative profile and we believe that this will materially assist the fund through this difficult time

We extend our best wishes to you all for this coming year



Dr John Kernohan

Chair, Church Property Trustees



Rev Alan Shaw

Co-convenor, Beneficiary Fund Committee

The Year at a Glance

People facts:

There are 269 ministers contributing to the Fund, 455 annuitants receiving money from the Fund, and 22 members with 'frozen' benefits in the Fund. 68 members have supplementary account balances.

Money facts:

This past year Ministers paid \$540,189 into the Fund, Parishes paid \$753,547 net of tax and Kindred Service Employers paid \$159,671 and there were Legacies and Gifts of \$40,443, making a total of \$1,493,850. The Fund paid out total benefits of \$4,133,077.

The net assets of the Fund decreased by \$2.6 million from \$75.8 million to \$73.2 million at the end of the year. The investments of the Fund generated income of \$3,292,656 and capital losses amounted to \$2,750,279, resulting in a return for the year of 0.06% (after all expenses). This has been reinvested in the Fund.

The Benefits

The major benefit for members is a pension and a lump sum on retirement. Up to half the pension at retirement may be commuted to a lump sum, which could be used to assist in the purchase of a retirement home. Below are examples of retirement benefits for various circumstances:

Minimum Lump Sum – no pension is commuted.

Maximum Lump Sum – 50 % of the pension is commuted.

MALE

Age at Entry	Age at Retirement	Minimum Lump Sum		Maximum Lump Sum	
		Pension	Lump Sum	Half Pension	Lump Sum
30	60	\$9,786	\$64,389	\$4,893	\$137,713
30	66	\$12,609	\$82,967	\$6,304	\$161,110
40	60	\$7,552	\$49,695	\$3,776	\$106,284
40	66	\$10,078	\$66,313	\$5,039	\$128,771
50	60	\$5,319	\$35,000	\$2,660	\$74,856
50	66	\$7,547	\$49,659	\$3,773	\$96,431

FEMALE

Age at Entry	Age at Retirement	Minimum Lump Sum		Maximum Lump Sum	
		Pension	Lump Sum	Half Pension	Lump Sum
30	60	\$9,786	\$64,389	\$4,893	\$147,131
30	66	\$12,609	\$82,967	\$6,304	\$173,795
40	60	\$7,552	\$49,695	\$3,776	\$113,554
40	66	\$10,078	\$66,313	\$5,039	\$138,909
50	60	\$5,319	\$35,000	\$2,660	\$79,976
50	66	\$7,547	\$49,659	\$3,773	\$104,023

On 1 July 2007 year pensions being paid were increased by 1.55%, being half the increase in the basic stipend.

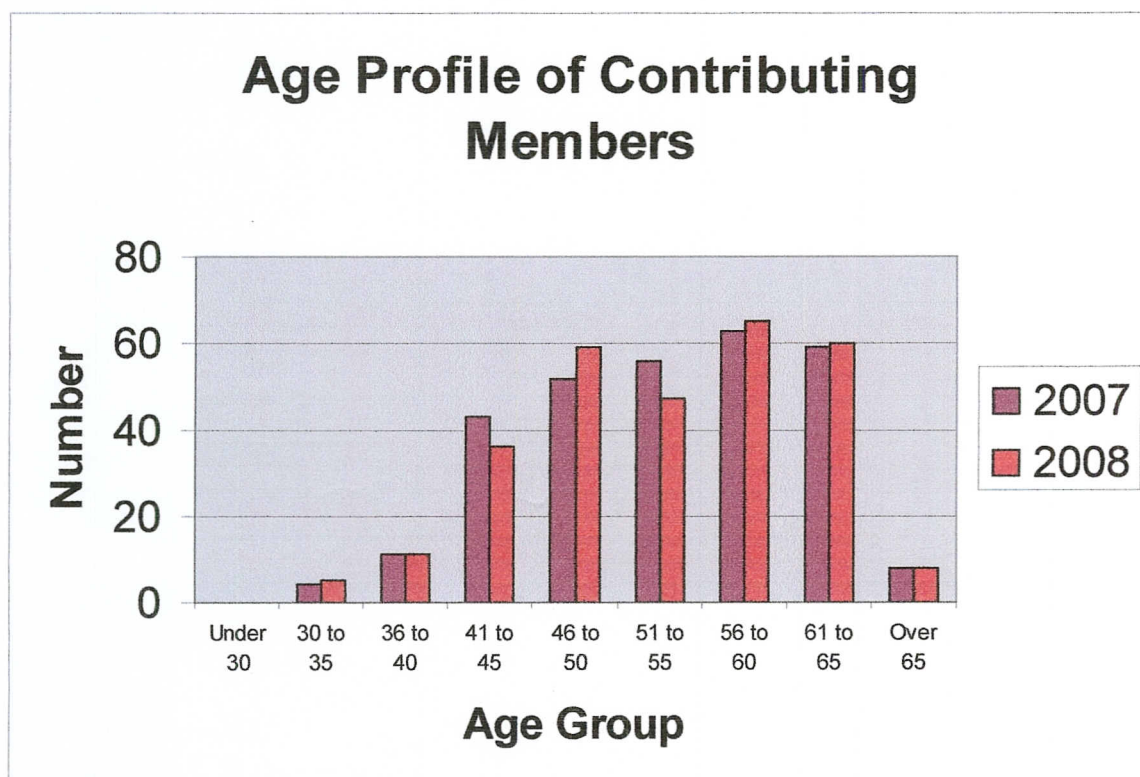
The Membership Profile

Changes in the Membership Structure of the Fund

During the year the number of members in the fund decreased by 7. A summary of the changes in membership is set out in the following table.

	2007/08	2006/07
Pre-retirement Members		
Beginning of the year	296	298
New Members	8	12
Retirements	(12)	(7)
Resignations	(1)	(7)
At the end	291	296
Annuitants		
Beginning of the year	457	463
Retirements	12	7
New spouse pensions	7	5
Deaths	(21)	(18)
At the end	455	457
Total membership at end	746	753

The age profile of the membership is shown in the table below.



About the Investments

The investment of the Fund

Fund investments are spread across a diverse range of investment categories including New Zealand and overseas fixed interest, New Zealand and Australian shares, commercial property, and cash. Each category offers different returns and different variability and risk.

Asset class	Range	As at 30 June 2008
Property	0 - 15%	10.7%
Fixed interest – NZ	10 - 30%	14.4%
Fixed interest – Overseas	10 - 30%	18.5%
Australasian Equities	5 - 15%	7.9%
Overseas Equities	10 - 20%	15.2%
Cash Deposits	10 - 30%	33.3%

During the year, your Trustees together with their financial advisors at Aon Consulting, have continued to review both investment strategy and the investment of the appointed investment managers. They believe that the current investment strategy remains appropriate for the specific circumstances of the Fund, namely:

- I. The Fund is mature - more members are receiving pensions than are still contributing, and over a third of our contributing members will retire within 10 years.
- II. Our Parishes would have difficulty increasing their contributions above current levels.
- III. The desirability of maintaining the improved financial position justifies adopting a lower risk strategy, i.e. less shares and more fixed interest bonds.

The last few months of the financial year saw some major losses in financial markets around the world. While your Fund has not been immune to this, the comparatively high level of funds in cash and fixed interest should assist in more stable annual returns in future years without compromising the ability of the Fund to meet its financial obligations. The above table shows the asset allocation range and actual position at the end of the financial year.

The Trustees also continue to monitor the performance of the appointed investment managers and to make changes as deemed necessary. During the year, they appointed a new investment manager (Alliance Bernstein New Zealand Limited) for overseas equities and the arrangements with Arcus Investment Management Limited were ceased.

The Results

The investment managers delivered a return for the year of 1.5% before expenses (0.06% after the deduction of all expenses). This is 0.8% behind the average for the markets in which we invest. This table shows the performance of each asset class over the last year against its sector index and shows that property and cash performed well, and that Australasian equities managed to beat a large negative index.

Investment performance (Year to 30 June 2008)		
Asset type	Our return	Index
Australasian Equities	-18.3%	-24.5%
Overseas Equities	-16.4%	-10.0%
Fixed Interest - NZ	6.6%	9.1%
Fixed Interest - Overseas	6.2%	9.8%
Cash (including Australia)	12.1%	9.0%
Property	9.0%	8.0%

The Investment Committee continued to meet regularly to review the performance of investment managers and over the year introduced a new investment manager, directly invested in some term bank deposits and altered the mandates for some of the existing managers.

Because of the long-term nature of the fund, investment returns should be assessed over a longer period than one year. The main objective the Trustees have for the fund is to earn 4.5% above inflation on a three-year average basis. Over the last three years inflation has averaged 3.3% pa so the target was 7.8% pa. The fund achieved a return of 6.9% so has failed to achieve the target largely because of the market downturn in recent months

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.

	2007/2008
Disability benefit	\$157,338
Special grants	\$96,410
Death benefit	\$25,108
Total	\$278,856

The Money

The 2008 year has been very difficult for all investors.

Late in 2007, investment market conditions deteriorated and investment markets began to experience a period of significant volatility. This resulted in both equity and debt market prices falling as markets lost confidence, which has resulting in the disappointing performance for the Fund.

The performance of the markets over the last 12 months highlights the risk investors are exposed to by investing in markets. The Trustees are aware of the potential risk in markets and seek to manage this by diversifying the assets across a number of asset types, by holding a large number of different investments within each asset type and by appointing several investment managers. This year's result shows that even with diversification a very low return may be the outcome.

The well-documented global credit crisis has been the catalyst for much of the turbulence. It has seen a number of banks and other financial companies fall into difficulty after announcing substantial losses. In addition, global economic growth has slowed and interest rates have fallen, which is likely to result in subdued investment returns over the immediate future. While this will make it difficult for the fund to provide high returns in the next year, the fund has been conservatively invested, and so it is expected to weather the storm better than most retirement funds.

Actuarial position

Every three years, the fund is valued by the actuary, who looks at the long term costs the fund must meet, such as benefits and administrative costs, then compares these with the assets held by the fund. This is the most reliable assessment of the financial strength of the fund. The valuation in 2006 confirmed that the fund had sufficient money to pay all of the accrued and vested liabilities, with a small safety margin, which was a significant improvement over the previous valuation. The next actuarial review will take place as at 30 June 2009.

The Accounts

Abridged Statement of Changes in Net Assets for the Year Ended 30 June 2008

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

	2007/8	2006/7
Change in Value of Investments (net of Fees)	(2,869,846)	1,588,323
Revenue from Investments	3,292,656	3,109,788
Contributions – Members	540,189	486,139
Contributions - Employers	913,218	886,903
Legacies and Gifts	40,443	-
Total Inflow	1,916,660	6,071,153
Operating Expenses	(379,899)	(272,873)
Benefits Paid	(4,133,077)	(4,088,175)
Total Expenses and Benefits Paid	(4,512,976)	(4,361,048)

Abridged Statement of Net Assets as at 30 June 2008

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

	2007/8	2006/7
Funds invested by Fund Managers	74,501,868	77,257,807
Funds invested by Trustees	361,849	475,357
Other Assets of the Fund	289,233	327,296
Total Assets of the Fund	\$75,152,950	\$78,060,460
Liabilities of the Fund	137,767	187,798
Supplementary Benefit balances	1,781,300	2,042,463
Total Liabilities of the Fund	\$1,919,067	\$2,230,261

Abridged Statement of Cash Flows for the Year ended 30 June 2008

	2007/8	2006/7
Net Cash Flows from Operating Activities	(2,734,637)	(2,555,095)
Net Cash Flows from Investing Activities	2,682,552	2,543,689
Net Cash Flows from Financing Activities	0	0
Net (Decrease)/Increase in Cash Held	(52,085)	(11,406)
Opening Cash 1 July	117,366	128,772
Closing Cash 30 June	65,281	117,366

Notes to Summary Financial Statements

These abridged financial statements were approved by the Church Property Trustees on 25th September 2008

The full financial statements have been audited by Ernst & Young, who issued an unqualified opinion dated 25 September 2008. Ernst & Young have examined the summary financial statements for consistency with the full financial statements.

The specific disclosures included in the abridged financial statements have been extracted from the full financial statements that were approved by the Church Property Trustees on 25th September 2008

If you would like a copy of the full financial statements and the full audit report, please contact The Fund Secretary, P O Box 9049, Wellington and a copy will be posted to you, or you can obtain a copy through the website www.presbyterian.org.nz.

Trustees' Certifications

Certifications and other legal statements we need to make

We are required by statute to notify you formally of the following:

- 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 2008, 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 provision been made for the continued payment of all annuities and disability benefits being paid as at 30 June 2008.
- 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 been no amendments to the Trust Deed and Regulations, which govern the Fund, since the last report of the Trustees.
- 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 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 between 30 June 2008 and the date of this annual report; The liabilities of the fund are long term, and there are sufficient short term assets to cover benefit payments for a number of years. We have no reason to believe that economies and markets will not recover in due course.
 - the value of the Fund's assets relative to its liabilities (including contingent liabilities) has materially and adversely changed between 30 June 2008 and the date of this annual report; Continuing adverse market conditions, particularly since September, have reduced the value of the Fund's investments between 30 June 2008 and October 2008. The next actuarial valuation of the Fund will be made as at 30 June 2009, at which time the Fund's financial position and the required parish contribution rate will be reassessed in the light of the conditions at the time
- 8 We advise that there was no interest credited to Supplementary Account balances for the year ended 30 June 2008.

The Fund is exempt from the requirements to file a Prospectus.

The Members

Membership details

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

Robert Clow	Kevin Finlay	Gene Lawrence	Nimarota Lale
Robert Pendreigh	Stuart Simpson	Henry Yau	Young-Jun Yoo

The following ministers have resigned from the Fund:

Anthony Martin

We wish the following ministers well in their retirement:

Drina Clark	James Cunningham	Neville Jackson
Richard Lawrence	John McKean	Thomas Millar
Eric Pierce	John Roxborough	Maui Tourangi
Susan Werstein	Rintje Westra	Peter Wishart

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

Margaret Fauchelle	Carol Provan	Audrey Robertson
Moka Sipeli	Esther Stuart	Ruth Uden
Paula White		

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

Ministers

Alister Dunn	Ian Fauchelle	Boyd Glassey
William Hay	Ian Provan	Struan Robertson
Frank Ross	David Sage	Lagi Sipeli
William Stuart	Eric Uden	Stuart White

Spouses of Ministers

Mavis Braddock	Hilda Byers	Jane Campbell
Margaret Campbell	Gwyneth Clark	Mona Dunn
Marian Fryer	Ngakai Pere	Adele Robson

The People & Organisations

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 2008 were:

Dr John Kernohan (Chair), Very Rev Bruce A Hansen (Deputy Chair), John H Craig (Immediate Past Chair), Rev Perema Leasi, Dr Margaret N Galt, Mesdames Margaret L Inch, Margaret E Shailer and C Virginia Wilson, Messrs John W Harvey, Peter H Isherwood, R Blyth King, John W Jones, Robert B McCay and W Mac Welsh.

We have been saddened to record the death in office of Trustee John Molloy. The Rev Maurice Brown and Messrs John Hanning and Jeffrey Todd resigned during the year. Since the 30th June 2008 Messrs Roger Gyles, Brian Poole and Soo Land Wong were appointed Trustees.

The Beneficiary Fund Committee is:

Very Rev Bruce Hansen and Rev Alan Shaw (Co-Convenors), Rev Lynn Russell, Mesdames Tanya Duncan, Rose Nisbet and Virginia Wilson, Mr James Thomson and Douglas Langford (Secretary).

During the year Arthur Davis retired from the Committee.

The Fund Secretary is:

Douglas Langford, P.O. Box 9049, Wellington

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

The Administration Manager is:

Aon New Zealand Limited, PO Box 3167, Auckland

The Investment Managers are:

ING (NZ) Ltd

Alliance Bernstein New Zealand Limited

Russell Investment Group Limited

Tyndall Investment Management Ltd

Trust Investments Management Limited

The Actuary is:

Ms Linda Caradus of Melville Jessup Weaver, Wellington

The Auditor is:

Ernst & Young of Wellington

The Solicitor is:

Ollie Gilbert, Johnson Lawrence, Wellington