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Newsletter June 2020

THE PRESBYTERIAN CHURCH PROPERTY TRUSTEES

Special Access to Property Capital

Following an invitation from the Council of Assembly, the Church Property Trustees introduced special temporary provisions to allow parishes access to Capital Funds to help address the financial challenges imposed by the Covid-19 lockdown.

Capital Funds

Capital Funds are the proceeds of property sales. They are held in trust for property-related projects and can only be used with the approval of Presbytery and the Trustees. Until now, Capital Funds could generally be used, subject to approval, for:

- Buying land or property
- New buildings
- Major renovations and alterations (including earthquake strengthening)
- Repaying mortgages

And in certain cases:

- Mission projects
- Major maintenance

Covid-19 Income Replacement

Parishes will now be able to apply to use Capital Funds as a temporary replacement of income lost due to the Covid-19 lockdown. A special process, endorsed by the Council of Assembly, has been designed to facilitate applications. A two-page application form is available from your Presbytery or the Trustees, and should be forwarded to your Presbytery for approval.

The provisions are temporary and applications must be received by 30 June 2020.

Glen Innis Holiday Houses Re-open

Like most of New Zealand, the Glen Innis Holiday Houses in Central Hawkes Bay were in lockdown during Levels 2-4, but they are now open again. There are still a few slots available over the winter, spring and summer periods – but get in quick.

Email Stephanie Carter at glen.innis@xtra.co.nz to secure your spot.

The refurbishment of the Houses and surrounds has continued, with the latest development being a new driveway. The Trustees visited the Houses in February and were delighted with what they saw. If you've not been recently, you might not recognise them.

Insurance Renewal

The Power of the Collective

It's insurance time – again. What are the advantages to participating in the Insurance Collective, rather than each parish arranging insurance directly?

1. **Tailored cover** – the policy has been designed to meet the specific requirements of the Presbyterian Insurance Collective, as opposed to standard insurance policies that are designed for commercial, profit making companies. The inadequacies of these latter policies only become apparent when a major claim occurs.
2. **We get the best deal from around the world** – there are lots of advantages in being a small country at the bottom of the world (as we have just discovered during the pandemic), but a strong insurance market is not one them. There are now no NZ-owned insurers. The commitment of overseas companies to the local market is not assured and pricing is not always competitive. Because of the size of the Collective, we are able to search the entire global insurance market to get the best deal. The present policy is currently insured 100% by Lloyds of London.
3. **Cover for all assets** – while new buildings are easily insured, many of our parishes have older buildings that are harder to insure. And of course, it's also hard to find insurance cover in those regions with greater seismic risk. Due to the size of the Collective, we are able to provide cover for virtually all assets in all areas.
4. **Claims this year won't affect next year's premium** – if you insure directly, any claims you make in one year will likely result in a higher premium cost the following year. Due to its scale, the Collective can incur losses of up to $400,000 without any impact on the premium for the following year.
5. **Easy claim process** – the Collective operates a special fund to deal with low value / high frequency claims, resulting in a simpler and more cost effective way to handle claims. This means we don't have to go to the insurer for every claim, speeding up the process and helping to keep costs down.

Ensuring you have enough insurance

The Trustees have noted that many parishes have not changed the value of their cover for a number of years, yet we know that property values and building costs have continued to increase. As a result, if you haven't increased the amount of your cover over the last three years, or secured a new valuation to support your cover, the Collective will apply an automatic increase of 5%. Crombie Lockwood, the Collective's insurance broker, provides a free Modal Valuation Tool to help parishes set their insured value. While an insurance valuation is best, the Modal Tool is a good substitute that doesn't cost you anything.

What do you need to do?

The Presbyterian Insurance Collective administration is managed by Crombie Lockwood, a specialist insurance broker. You should have received an email from Crombie Lockwood, helping you get ready to update your requirements by 3 July. If not, or if you have any questions, please email presbyterianinsurance@crombielockwood.co.nz.

Presbyterian Investment Fund

New Long Term Investment Option

For a long time, the Presbyterian Investment Fund (PIF) has been able to provide a high quality, on-call investment facility that provided parishes (and others) with both immediate access to their funds and a reasonable rate of return. However, as interest rates have fallen, while the PIF has remained a high quality, on-call facility, it has not been able to provide the same level of return. The current PIF On Call interest rate is 1.75% pa.

At the same time, the Trustees have noted that it appear that some of the funds in the PIF are long-term funds. That is, parishes do not intend to spend these funds, but keep them in the PIF and use the income to support day-to-day mission activities.

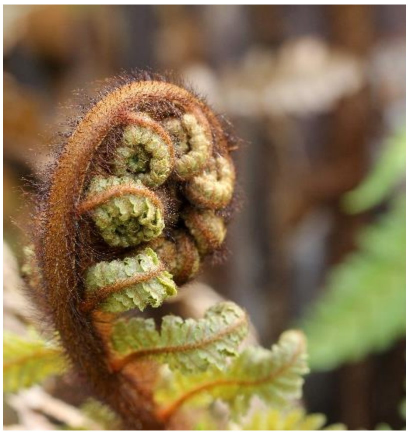
The new Long Term Investment Option is designed to provide a higher rate of return (when measured over the long-term, e.g. at least five years) to those parishes (and others) who are prepared to invest their capital for the long term.

Higher Returns come with Higher Risk

The Trustees expect the Long Term Fund will return around 3.0% p.a. income (the current rate is 3% p.a.) plus inflation. The Trustees hope parishes will not spend the inflation component, but use this to maintain the income component over time. Inflation on Property accounts must not be spent.

The Trustees have elected to use the Mercer Socially Responsible Investment Balanced Fund as the investment vehicle for the Long Term Fund. We believe Mercer's diversified approach and commitment to responsible investment appropriately balances both risk and return.

However, the Long Term Fund will not suit everyone. A higher return requires higher risk, including the risk of capital loss. For more information, please contact the Trustees on trustees@presbyterian.org.nz.



Borrowing from the Presbyterian Investment Fund

Along with the new Long Term Investment option, the Trustees have just introduced the ability for parishes to borrow from the PIF for major capital works or refinancing. Parishes are able to borrow between $250,000 and $2m from the PIF, provided the loan can be secured against an existing property. The facility is only available to those Presbyterian parishes and entities that are able to invest in the PIF. The PIF will charge a floating interest rate, which will be set by the Trustees on a case-by-case basis.

For more information, please contact Russell Garrett on 022 548 4903 or russell@presbyterian.org.nz.