

Beneficiary Fund

Annual Report to Members

FOR THE 12 MONTHS ENDED 30 JUNE 2017

The Fund transitioned to registration under the new Financial Markets Conduct Act in November 2016. This is the first time the annual report is produced under this regime, so you will notice a few changes, such as not having a summary financial statement or the auditor's report. The full financial statements and the auditor's report can now be accessed online on the Companies Office website www.companiesoffice.govt.nz/disclose.



**Presbyterian Beneficiary Fund
Trustee Limited**

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Statutory information

■ SECTION ONE:

Details of Fund

The fund is called the Presbyterian Church of Aotearoa New Zealand Beneficiary Fund (**Fund**). It is registered under the Financial Markets Conduct Act 2013 (**FMCA**) as a restricted workplace savings scheme.

Presbyterian Beneficiary Fund Trustee Limited (**PBFTL or Trustee**) is the trustee and manager of the Fund. The Fund does not have its own independent supervisor, as the Financial Markets Authority (**FMA**) supervises all restricted workplace savings schemes.

As at 30 June 2017 (**Balance Date**) the Fund had a product disclosure statement (**PDS**) dated 30 June 2017 that was open for applications. Subsequently, the PDS has been replaced by a PDS dated 11 October 2017 and continues to be open for applications.

As at the Balance Date, no fund updates had been issued for the Fund. Subsequently, a Fund Update for the Complying Section for the year ended 30 June 2017 has been issued, dated 29 September 2017.

The latest financial statements for the Fund (prepared as at 30 June 2017), and the auditor's report on those financial statements, have been lodged with the Registrar of Financial Service Providers and are available electronically by visiting companiesoffice.govt.nz/disclose, selecting 'Search schemes' and entering the Fund name.

SECTION TWO:

Information on contributions and Members

Changes to membership for the year to 30 June 2017 are provided below.

	Contributing (i.e. active) members	Non-contributing (i.e. annuitant, Deferred Pensioners and Frozen Members) members	Total
Membership at 01 July 2016	209 *	465	674
New members	1	23	24
- Retirement active member	-	12	12
- New spousal pension	-	11	11
- Other new members	1	-	1
Member exits	13	24	37
- Retirements	(11)	-	(11)
- Deaths	-	(18)	(18)
- Transfers to other schemes	-	-	-
- Other reasons:			
(i) Resignations	(2)	-	(2)
(ii) Permanent Emigration	-	(1)	(1)
(iii) Prior period adjustment	-	(5)	(5)
Membership at 30 June 2017	197	464	661

* This includes all active members in both the defined benefit and complying fund sections

Excluding the defined benefit section, members' accumulations at the start and end of the year ending 30 June 2017 were as follows:

Members' accumulations	1 July 2016	30 June 2017
Total account balances	\$1,201,242	\$1,467,946
Number of members with accounts	78	76

During the year ended 30 June 2017, the total amount of contributions received by the Fund was \$1,544,659. This comprised **member contributions of \$479,951** received from 197 active members, contributions of **\$212,765 from employers** of kindred service members and **\$851,943 received from the Church** on behalf of all members. No voluntary additional contributions were received by the Fund during the year ended 30 June 2017 because such contributions are not permitted.

■ SECTION THREE:

Changes relating to the Fund

During the year ended 30 June 2017, the Fund transitioned to full compliance with the FMCA, becoming a restricted workplace savings scheme and a restricted legacy scheme registered under that Act, instead of a superannuation scheme registered under the Superannuation Schemes Act 1989.

New Trust Deed

As part of the transition exercise, a new Trust Deed was executed on 01 December 2016. Many of the changes to the Trust Deed (the Fund's governing document for FMCA purposes) were technical amendments made in order to comply with the FMCA, including:

- › updated terminology;
- › a corporate body to act as sole trustee of the Fund;
- › the inclusion of a Licensed Independent Trustee on the Trustee board;
- › the Trustee's core obligations to act in accordance with an FMCA-compliant statement of investment policy and objectives (**SIPO**); and
- › provisions regarding an auditor's appointment and functions under the FMCA.

The Trust Deed also created a New Defined Contribution Section of the Fund and included provisions to facilitate the wind up of the Defined Benefit Sections of the Fund described below.

In order to give effect to the changes and ensure legislative compliance, the Fund was temporarily closed to new members from 1 December 2016 until 1 July 2017.

Wind up of the Defined Benefit Section

The Defined Benefit Section of the Fund is being wound up as at 30 June 2017.

Members of the Defined Benefit Section will receive a wind up benefit in accordance with the Trust Deed. Any surplus will be distributed for "charitable purposes" in accordance with the Trust Deed.

Members of the Defined Benefit Section (including annuitants) will be given the option to transfer some or all of their wind up entitlement to the New Benefits Section of the Fund. Communications have been sent to all members affected regarding their entitlements and options.

To provide for the wind up and related matters, a Trust Deed amendment was executed on 30 June 2017. The amendment:

- › created the New Benefits Section of the Fund;
- › allowed for wind up benefits to remain within the Fund, in the New Benefits Section;
- › introduced Investment Options for the New Benefits Section and the Complying Fund Section; and
- › allowed the Trustee to introduce unit pricing for the New Benefits Section and the Complying Fund Section.

SIPO

An interim replacement SIPO took effect on 1 December 2016. Some of the changes were technical amendments and additions were made to comply with the FMCA. There was also a change in investment strategy to make provision for the winding up of the Defined Benefit Section of the Fund.

A replacement SIPO took effect from 30 June 2017, replacing the 1 December 2016 SIPO. This introduced four new Investment Options (Cash, Conservative, Balanced and Growth) for each of the New Benefits Section and the Complying Fund Section. It provided for these Investment Options to be invested directly into corresponding portfolios within the Mercer Investment Trusts New Zealand, managed by Mercer (N.Z.) Ltd.

Related party transactions

Prior to the establishment of PBFTL, the Presbyterian Church Property Trustees (**PCPT**) was the Trustee for the Fund. The individual trustees of PCPT were appointed by the General Assembly. The Fund paid for trustee services.

No related party transactions were entered into during the year that were not on arm's-length terms.

■ SECTION FOUR:

Other information for particular types of managed funds

PERMITTED WITHDRAWALS

During the year ended 30 June 2017, three Fund members made withdrawals that were permitted under the FMCA and the Trust Deed. Each (two resignations and one permanent emigration) was paid a lump sum on leaving service.

ACTUARIAL VALUATION

In relation to the Defined Benefit section, the rate or amounts of contributions paid have been in accordance with the recommendations contained in the Melville Jessup Weaver actuarial report dated 30 June 2015, being the most recent actuarial report prepared for the purposes of section 15 of the Superannuation Schemes Act 1989.

The 30 June 2015 report:

- showed a liability of \$976,000 to be funded by future parish/employer contributions. The value of future parish/employer contributions at the then current rate of 9.7% was \$8.6 million, resulting in a funding surplus of almost \$8m if parish and employer contributions continued at the then current rate of 9.7%;
- showed members' past service benefits remained secure, with a past service surplus of \$19.4m. The assets were sufficient to cover both accrued benefits and vested benefits;
- recommended that the contributions remain unchanged at 9.7% of Basic Stipend, that the factors used for commutation of spouse pensions be changed to reflect the valuation basis used for that report, and that the next statutory valuation be carried out no later than 30 June 2018.

A further actuarial valuation of the Fund was undertaken as at 30 June 2017. The Actuary's report shows that the net assets held were 117% of the benefit obligations at 30 June 2017.

CREDITING RATE

The crediting rate applied to members' Complying Section balances for the accounting period as at 30 June 2017 was 7.0% pa (after allowance for expenses).

CONTRIBUTIONS

All the contributions required to be made to the Fund in accordance with the terms of the Trust Deed have been made.

TRUSTEE'S STATEMENTS

The Trustee confirms that:

- all the benefits required to be paid from the Fund in accordance with the terms of the Trust Deed have been paid; and
- the market value of the property of the Fund as at 30 June 2017 exceeded the total value of the benefits that would have been payable had all members of the Fund ceased to be members at that date and had provision been made for the continued payment of all benefits being paid to members and other beneficiaries as at 30 June 2017.

Complying Section

As at 30 June 2017, the market value of the assets of the Fund subject to the complying fund rules was \$1,467,946. This related to 76 members. The value of withdrawals subject to the complying fund rules in the year to 30 June 2017 was \$74,514.

■ SECTION FIVE:

Changes to persons involved in the Fund

The Presbyterian Church of Aotearoa New Zealand Beneficiary Fund Trust Deed was amended on 1 December 2016, to ensure compliance with the Financial Markets Conduct Act 2013. Effective 30 November 2016, PCPT was replaced by PBFTL as the Trustee of the Scheme. All directors of PBFTL are trustees of PCPT. The following persons are the directors of PBFTL:

- › **Ian Russon** (Chairman and Licensed Independent Trustee and trustee / director)
- › **Roger Gyles** (trustee / director)
- › **Margaret Galt** (trustee / director)
- › **Russell Garrett** (trustee / director)
- › **Warren Potter** (trustee / director)

There were changes to the Fund's Investment Managers, Administration Manager and Trustee, during the year ended 30 June 2017 as described below.

The service providers to the Fund in the year to 30 June 2017 were:

- › **Actuary** – Melville Jessup Weaver Limited
- › **Administration Manager** – Link Market Services Limited
- › **Auditor** – Ernst & Young
- › **Investment Managers** from 30 June 2017 - Mercer (N.Z.) Limited and the Presbyterian Church Property Trustees as trustees of the Presbyterian Investment Fund.
- › **Implemented Consultant** – Mercer (N.Z.) Limited
- › **Solicitor** – DLA Piper
- › **Trustee**
 - until 30 November 2016 - Presbyterian Church Property Trustees (PCPT)
 - from 30 November 2016 - Presbyterian Beneficiary Fund Trustee Limited (PBFTL)

MJW Limited replaced Link Market Services Limited as Administration Manager and Securities Registrar from 1 July 2017.

■ SECTION SIX:

How to find further information

The following information is available electronically (and free of charge) on the Disclose Register at www.companiesoffice.govt.nz/disclose:

- › copies of the trust deed, the Fund's latest audited financial statements, the SIPO and the annual report (select *search schemes* and enter the Fund name); and
- › copies of the PDS, the annual fund updates and other material information relating to the Fund (select *search offers* and enter the Fund name).

Information about the Fund is also available on the Fund's website www.presbyterian.org.nz/for-parishes/church-property-trustees/the-beneficiary-fund.

You can obtain a copy of any of those documents (or an estimate of your benefits) from the Trustee free of charge by writing to the Administration Manager at the following address:

Presbyterian Church Beneficiary Fund
Melville Jessup Weaver
Level 5, 40 Mercer Street
PO Box 11330
Wellington 6142

You can also obtain free of charge, by writing to the Administration Manager at the above address, a copy of the latest three-yearly actuarial valuation of the Fund or a statement of the specific interest, mortality and other assumptions and bases of calculation applied in determining the value of the Fund's benefit obligations as at 30 June 2017 for wind-up purposes.

These documents may also be requested by emailing presbyterian@mjlw.co.nz

■ SECTION SEVEN:

Contact details and complaints

Enquiries about the Fund should be directed in the first instance to the Administration Manager:

Administration Manager

Melville Jessup Weaver
Level 5, 40 Mercer Street
P O Box 11330, Wellington 6142
Phone 0800 266 787
Email presbyterian@mjlw.co.nz

The Administration Manager also acts as the Securities Registrar for the Fund and can be contacted (in that capacity) at the above address.

Enquiries to the Trustee (and all other correspondence from members direct to the Trustee) should be addressed to:

The Executive Officer

Presbyterian Beneficiary Fund Trustee Ltd
P O Box 9049, Wellington 6141
Phone [04] 389 8296
Email trustees@presbyterian.org.nz

Any complaints about your investment can be made to the Trustee using the above contact details

If the Trustee is not able to resolve the matter, you can appeal to the General Assembly.

We are a member of Financial Services Complaints Limited (**FSCL**), a dispute resolution scheme approved under the Financial Service Providers (Registration and Dispute Resolution) Act 2008.

You can also refer your complaint to:

Financial Services Complaints Ltd

Level 4
101 Lambton Quay
Wellington 6011
P O Box 5967, Wellington 6140.
Phone 0800 347 257
Email info@fscl.org.nz

Neither the Trustee nor FSCL will charge a fee to any complainant to investigate or resolve a complaint.