

Report of Chairperson 2018

Item 7.1

Membership as at 30 June 2018

Trustees: Roger Gyles (Chair), Paul Barber, Marie Burgess, Ray Coster (on leave of absence), Chris Elliot, Harriet Enright, Margaret Galt (Deputy Chair), Russell Garrett, John Harvey, John Jones, Perema Leasi, Ron Mills, Warren Potter and Ian Russon

Associate

Trustees: Hao Hoang and James Wilkinson

Associated: Wayne Matheson (Assembly Executive Secretary), Richard McLean (Council of Assembly representative), Lyn Murray (Synod of Otago & Southland representative)

Executive Officer: Kos van Lier

Administrative Secretary: Pat Griffin

Administrator: Marion Blair

Trustees

The work of the Trustees is becoming more technical, complex and demanding in response to societal changes. To meet the changes there is a greater need for Trustees to have business and technical expertise to be able to properly carry out their governance duties.

We welcomed to the Board two new people as Associate Trustees - Hao Hoang and James Wilkinson whose backgrounds are in engineering and law respectively. Since year end Alan Jamieson, who has an engineering and business background, has joined PCPT as an Associate Trustee. We look forward to General Assembly 2018 confirming these three people as Trustees.

Staffing

During the year we have been blessed with our hard-working staff who have again been very busy particularly with the extra work-load brought about by 2016 General Assembly decisions on the Beneficiary Fund. The small, very effective team, headed by Kos van Lier, Executive Officer, with Administrative Secretary Pat Griffin and Administrator Marion Blair, has continued to provide support to a very high level to the Trustees as a whole and to the various sub-committees. We appreciated also the work of Heather McKenzie during the time that Pat Griffin was on bereavement leave. As the new section in the Beneficiary Fund has been bedded in, the team has coped with the increased level of regulatory compliance alongside an increasing workload on property-related matters such as seismic and heritage issues.

Year in Review

For most of the year under review the work of the Trustees has largely been dominated by the Beneficiary Fund with closing of the Defined Benefit (DB) section and implementation of the new Defined Contribution (DC) section. This project was successfully completed within the required tight timelines.

It was pleasing that a very large percentage of the DB section members decided (most having taken advantage of PCANZ's offer of a subsidy towards the cost of gaining independent advice) to transfer their wind-up entitlement into the new DC section. A large majority of the funds were transferred into the four investment funds offered by the end of 2017. For regulatory compliance reasons a trustee company, Presbyterian Beneficiary Fund Trustee Limited (PBFTL), was established in early 2017 with its Directors being appointed from a number of Trustees on the Investment Committee.

The Presbyterian Investment Fund continues to perform well and is providing the Church with an above market return in a difficult, low interest rate environment. As signalled last year, the Investment Committee has recommenced its work on a new longer-term fund within the Presbyterian Investment Fund (PIF). The new PIF Long Term Fund will be offered as a means of providing over the longer term (5+ years), increased returns at a moderately higher level of investment risk, with ultimately through a reserving policy, a form of inflation-proofing of the capital sum. Further details of the work on investments are provided elsewhere in the Annual Report.

For almost all of the year the Investment Committee (IC) and PBFTL were very ably chaired by Ian Russon. Ian has resigned from both roles and Russell Garrett has been appointed Chair of both the IC and the PBFTL. Ian continues both as the Fund's legally required Licensed Independent Trustee and as a member of the IC and the PBFTL Board.

The Property Committee, chaired by John Jones, has again had a busy year considering and dealing with a range of property issues, some very complex. This year has seen an increased focus on seismic mixed with heritage issues along with the "normal diverse" range of property applications. The Committee has also been considering the interrelationship of its work and the work of the Insurance Committee especially in respect of PCPT's property information database. I mentioned earlier in my report the Trustees placing property matters as their first priority. To that end Margaret Galt developed a comprehensive report on Church owned property. This report has been distributed widely and is the first of two papers from PCPT from which it is hoped that the wider Church, through a CoA hosted workgroup, will develop a long-term property strategy. The Property Committee has also this year visited a number of presbyteries' property committees to exchange views and advise the processes and issues the Trustees are working with.

During the year the Communications Committee, chaired by Chris Elliot, organised a very successful Trustees workshop-style strategy day. Trustees, with input from individuals representing various facets of the wider Church, determined that property issues followed by digitisation of the PCPT operations were the top two issues to be tackled over the following year. Further details are provided elsewhere in the Annual Report. The Committee worked closely with the Property Committee, the Investment Committee and the Glen Innis Holiday Home Manager on communications as well as publicity on the Trustees website and IT needs of PCPT.

The Private Trusts Committee (PCT), chaired by Chris Elliot has done a lot of work analysing the requirements and policies of all the Trusts administered by PCPT. PCT has also, following receipt of the Terms of Reference from CoA on parameters for grants from the new Benevolent Fund, started work in preparation for any grants.

The Farms Advisory Committee (FAC), chaired by Roger Gyles, continued its oversight of the Glen Innis and Flaxburn farms. I mentioned last year that the FAC hoped the implementation of the new farm policy to ensure less volatile annual returns from Glen Innis would bear fruit this last season. It is very pleasing to report that the Farm not only had its best result for many years, but also that the holiday home operation had another successful year. It is anticipated that the guest experience of staying at the

farm will be enhanced using some of the surplus cash that has resulted from increased return.

The Flaxburn farm operation also had a good season although climatic conditions meant that the budgeted production was not achieved. This was largely offset by high market prices. The recommended distribution to beneficiaries has, despite required expected heavy capital and maintenance expenditure over the next 2-5 years, is likely to be increased, subject to approval, by 25%.

The work on restructuring of governance for both the farms and the Glen Innis holiday homes was recommenced late in the period under review. The review is wide ranging including covering ownership/governance/operating structures, reporting and distribution policies.

PBST is pleased to report that after the difficulties around the 2017 insurance renewal process a lot of work by Crombie Lockwood NZ Ltd, as brokers and manager of the Church's insurance arrangements, and the church's Insurance advisory committee has been put into ensuring this year's renewal flows smoothly.

Support Services

The Trustees continue to be well served by our staff and their advisors and those who manage various aspects of our work.

I extend the sincere thanks of the Trustees to Alasdair McBeth of DLA Piper, who heads our legal advisory team; to the team at Booster Financial Services, who administer the Presbyterian Investment Fund; to Linda Caradus and Ian Midgley of Melville Jessup Weaver, our actuaries; to Steve Grant of Melville Jessup Weaver, Beneficiary Fund Administrator; to Gregg Dell, Consultant, who has provided considerable help on Beneficiary Fund work; to Mercer NZ, Fund Manager of the Beneficiary Fund; to Harbour Asset Management, Fund Manager of the PIF; Trustees and Executors, custodian of the Beneficiary Fund; to Ernst & Young, our auditors; to Aidan Bichan and Sully Alsop (until last February) and Ed Harrison, our farms advisors; to James & Stephanie Carter, Farm and Accommodation Managers at Glen Innis, to Keith & Jo Dennis, Sharemilkers at Flaxburn; to Denis Hames and Brett Wooffindin, Farm Accountants and to all who have so willingly offered their help and guidance to the Trustees during this past year.

Conclusion

This is my last report as Chair although I plan to continue as a Trustee. It has been a great pleasure to Chair such a dedicated team of talented, skilled and experienced individuals who undertake the work of PCPT and I thank each of them for their contribution, commitment and support during the year. Special thanks to Deputy Chair, Margaret Galt, for her wise counsel and willingness to step in when needed. I also want to thank CoA and Wayne for their willingness to allow me as Chair to meet with them to advise or explain matters that I/PCPT have considered needed to be relayed to the wider Church. I know Rev Chris Elliot will enjoy the same consideration, commitment and support when she assumes the role of Chair in December.

PCPT is in good shape and is well resourced with suitably experienced people who are committed and ready to serve our Church.

Roger Gyles
Chair

September 2018