

Beneficiary Fund Wind-up Newsletter

(The wind-up only relates to the Defined Benefit section)

Number 3: April 2017

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Welcome to the third Wind-up newsletter. This newsletter is to update you on progress to date and also provide an overview of how we plan to handle the five months between when the wind-up of the defined benefit section (the old scheme) on 30 June 2017 and when we are likely to settle with members (target - 30 November 2017).

The documents we need before we can settle with members ...

Before we go further, we would like to remind you that we must have official proof of the key facts about you and (if relevant) your spouse. We need you to provide the following:

- **The Personal Information Form** which sets out the details we have about you such as your date of birth, whether or not you have a spouse, and when you joined the ministry.

545 of your colleagues have already returned their form
If you haven't, we really need you to do it now.

Our actuary needs this information to do her calculations.

(This form was enclosed with our indicative lump-sum letter dated 10 October 2016. If you have lost your form, please contact Kos.)

- **For your birthdate:** we need a copy of **one of these documents**: a birth certificate, your passport main page, or a firearms licence (not a driver's licence, sorry). We will need proof of birthdate for both you and your spouse.
- **For marriage:** we need a copy of your marriage certificate which must show the same names as the birth records. If it doesn't, you will need to give us an official paper trail that links the two names, such as a previous marriage certificate or a deed poll change of name.

Thank you to everyone who has already sent in these needed documents.

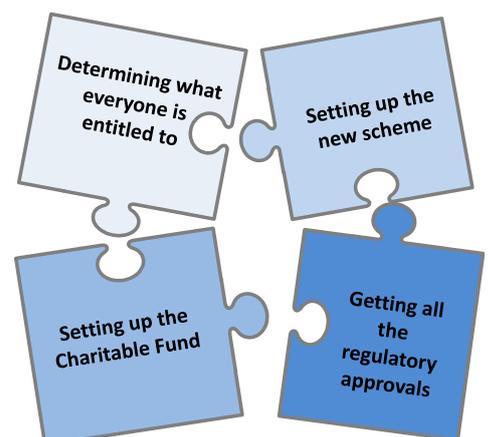
It makes it so much easier for us to do this complex and difficult job.

**If you have not
PLEASE HELP US BY
DOING IT TODAY**

So, if you have not done so already, would you please send a hard copy of each of the relevant documents to **Beneficiary Fund, PO Box 9049, Wellington 6141** or a scan via email to fundfeedback@presbyterian.org.nz. Please just send a copy of your birth and marriage documents (we don't need originals). If we do not receive a copy of these documents we cannot settle with you!

This newsletter covers:

- An update of what is happening
- An outline of what will happen between 1 July 2017 and when you receive your wind-up entitlement.
(We are targeting a settlement date of 30 November 2017)
- The key dates
- What you can do to help us



An update on what is happening ...

As you know there are four different but inter-related work streams that must be finalised before we can wind-up the old scheme and settle with members. We have different teams working on all four of these at once.

The wind-up

The wind-up is to take effect on 30 June 2017, and the amount that is owed to each member will be determined by their circumstances at that date. The Beneficiary Fund Committee has been working through any specific issues that people either have brought to our attention or that have been brought to our attention by our Actuary. The Committee has been making recommendations to the Trustee who is writing to each person as their case is resolved. We are also updating everyone's records as we get their Personal Information Form and birth and marriage documents so that we will have the right information for the final calculations. We are happy with our progress on this work, but getting the remaining Personal Information forms would really help us to keep making good progress.

Setting up the new scheme (a defined contribution one) ...

We have received five proposals from companies which make investments for schemes like the one we want to offer you, and from these we have now determined a shortlist. We will be getting more information and interviewing these companies and then making our final choice. All the companies on the short-list offer multiple different investment options (cash, conservative, balanced and growth funds) and have responsible investment policies in place. We hope that we will have settled this before our next newsletter.

Getting all the regulatory approvals...

We have all the approvals we need to keep running the scheme for existing members. We will obtain further regulatory approvals when we have the new scheme design finalised.

Setting up the Charitable Fund...

You will recall that after paying out all member entitlements, we anticipate there will be a surplus. Under the Trust Deed, this surplus must be distributed by General Assembly for charitable purposes. General Assembly agreed that a charitable fund would be formed for the advancement of religion, in particular, the support of ministers and retired ministers.

The Council of Assembly has established a work group to determine how the Charitable Fund will work in practice, such as the criteria for making grants, who would be eligible, etc. Ministers and annuitants are represented, as are the Church Property Trustees who will be responsible for administering the charitable fund, once its terms have been established. It is expected that the terms of the Charitable Fund will be established by 30 June 2017. However, although the exact amount of the surplus from the wind-up to be settled on the Charitable Fund will not be known and the actual transfer will not take place until some months later, when the Beneficiary Fund financial statements have been audited and all members' payments have been made.

Understanding the wind-up process

The importance of the strike date

Until the “strike date” of one minute to midnight on 30 June 2017 the rules of the existing fund determine what happens. On and from the “strike date” the old scheme is essentially frozen, and the only thing that will happen will be its wind-up in accordance with the Trust Deed.

This means that everything is frozen at the strike date for the wind-up. So, for instance, service stops accruing, your age is frozen, and whether you are entitled to a spouse benefit also is determined as at that date.

This has the most impact should a Minister die. If the death occurs before the strike date, then the death benefit will be calculated in line with the current Trust Deed. This means that a surviving spouse will become entitled to a pension and any other benefits under the old scheme. Provided she/he is still alive at the “Strike date”, she/he will then be entitled to a wind-up settlement in her/his own right as an annuitant member of the fund. But if the Minister member dies after the strike date, then their estate will be entitled to the wind-up settlement. There are many other possible examples and if you want to know what would happen in any specific circumstance, please contact us.

The strike date freezes things, but it’s not when the money will be available ...

After the strike date, our Actuary will calculate each member’s entitlement under the wind-up provisions in the Trust Deed. This is a complex process for which the personal data we referred to above is required. It will need to be peer-reviewed, and our Actuary has indicated that she expects to need about three months to complete the process. The Trustees will then send every member a letter telling them the exact amount that is due to that member. We anticipate this letter will be sent no later than 30 September 2017.

At this stage, we are anticipating that settlement will take place two months later around 30 November 2017. This means that you will have about six weeks to decide and tell us what you want to do with your entitlement on settlement day. One option will be that you transfer your entitlement to the new scheme and, if so, you will be able to choose the kind of investment option you wish to choose and, if you are an annuitant, the amount you want to be paid out of your entitlement each month.

You have help available with your choices ...

\$1,000 has been set aside for each member and annuitant to get professional investment advice. This money will be available throughout the wind-up process and for a few months afterwards. You can use whoever you wish for this, but the idea is that we will pay up to \$1,000 for you to go to someone who is an Authorised Financial Advisor. We have also arranged for Milestone Direct to be available should you choose to use them. Further details of how to contact Milestone Direct and the services they offer are available on the Church website here:

www.presbyterian.org.nz/sites/public_files/cpt/2016/18_Oct_Accessing_Financial_Advice_Factsheet_fina1.pdf

Covering the gap for annuitants between 1 July and the settlement date (target 30 Nov 2017) ...

If you are currently receiving a pension, then during the period between 1 July and the settlement date (target - 30 November 2017), we will make payments to you from your entitlement in the same way as your current pension (as an advance on your wind-up entitlement). You do not have to take up that option, but if you do not want to then we will need to have instructions in writing (by email or mail by 31 May). **If we do not receive instructions by 31 May we will be assuming you want this to continue to be paid.**

This means that when you receive your payout the amount you will receive will be your advised entitlement minus any payments made, plus interest on your monthly balance from 1 July onwards.

So you can see how this might look, we have provided an illustration for someone who has an entitlement of \$100,000 on 30 June, which then earns interest on the outstanding balance (at a guessed rate of 3%) but who takes their pension (which we have set at \$2,000 per month) in during this interim period.

What might this look like?

Advised entitlement	\$100,000
Payments in July, Aug, Sept,	- \$10,000
Oct, Nov (5 months at \$2,000)	
Interest @ 3% for 5 months	+ <u>\$1,196</u>
Total finally paid on 30 Nov	<u>\$91,196</u>

Active ministers in the fund between 1 July and 30 November

From 1 July, all ministers who have not retired must belong to one or both of the existing complying scheme or the new defined contribution scheme. In both funds or a fund (as applicable) your personal contributions and your parish's/employer's contribution accumulate in your account, but there are different rules around them because the complying fund complies with the Kiwisaver regulations. We will be explaining these differences when you are asked to make a choice. If you do not belong to either of these schemes (and most ministers who were ordained before 1 January 2009 will not) then we will be automatically enrolling you and accumulating your personal and parish contributions over the five months to November.

In November, working ministers will also be able to opt to transfer their entitlement from the wind-up of the old scheme into the new scheme and you will be able to pick the type of investments you want to be in (cash, conservative, balanced and growth funds). We hope to provide you with more details about your options and the process for making your choice in the next newsletter (as by then the new provider is hopefully appointed) and, of course, you will get a full description when we send your letter about your entitlement around 30 September.

If you are planning to retire between 1 July and the settlement date, we will have to discuss with you what your options are. It would be helpful to advise us of this as early as possible.

How the money will be held between 1 July and 30 November

The Defined Benefit wind-up process requires all investments to be liquidated and held as bank deposits. All members will be credited with the interest we receive, minus any costs. On settlement day, the funds that are transferred to the new fund will be invested based on the instructions we have received from each member.

Our best estimates of the key dates:

We have provided a table below of our best estimates of the key dates. At this stage, the only one that is set in stone is the strike date. However, we do not anticipate major changes to the other dates at this stage, although we do have to satisfy various regulatory compliance requirements which may delay us a little. Should that happen we would let you know as soon as possible.

Personal Information Form, birth & marriage certificates	15 June 2017
The strike date	30 June 2017
The letter setting out your entitlements and options	c. 30 Sept 2017
The deadline for you to advise us of your choices	c. 15 Nov 2017
The final settlement date	c. 30 Nov 2017

What you can do to help us

We want to hear from you if you have any concerns. Please do contact us especially if you think anything is wrong - the earlier we know the better we can help to sort things out.

Three things you can do to help us:

1. If you contact Kos, can you please also give him your number as shown on your Annual Statement, or your full name, address and phone number. It is amazing how many people have the same (or similar) names, and it helps him to make sure he is giving the right information to the right person.
2. If you are a family member acting under an Enduring Power of Attorney (Property), then privacy laws mean that we need to have a copy of this before we can provide you with information. We will also need to have a copy before we can accept instructions under the Enduring Power of Attorney (Property) during the wind-up.
3. Please return your Personal Information Form as soon as possible and also your proof of date of birth and marriage. If you have lost your Personal Information Form please contact Kos.

We expect to send the next newsletter in June

If you have any queries or feedback, please contact Kos van Lier
Email fundfeedback@presbyterian.org.nz or phone 0800 773 779