



## FREQUENTLY ASKED QUESTIONS FOR MEMBERS

### How will the changes affect me?

The proposed changes will affect you in three main ways:

- You will receive a lump sum distribution (either paid out in cash or transferred to the new defined contribution section).
- If you are a contributing minister, your ministerial support package will change including an increase in basic stipend. (See the [Ministerial Support Package Explained Fact Sheet](#) for further information.)
- You (and your spouse) will no longer receive an annuity on retirement.

### How much money will I receive?

Each member will be sent a personalised letter including an indication of the level of lump sum cash distribution you will receive if General Assembly agrees to the defined benefits section of the Fund being wound up. This letter will be sent out in early October 2016.

The amount in this letter will be indicative because the exact amount can only be determined based on funds that are available at the official wind-up date. If General Assembly agrees to the proposed changes, the wind-up will commence on 30 June 2017.

It is important to note that if your personal circumstances change between now and wind-up – for example if you or your spouse pass away – your lump sum cash distribution will change.

### How is the lump sum cash distribution calculated?

All annuitants and ministers will be paid the current value of the benefits earned by their past service.

The lump sum distribution takes into account the value of:

- Your annuity
- Disability cover
- Death cover
- Spousal funeral grant
- Dependent support benefit

The calculation is being undertaken by the Scheme's actuary, in consultation with Beneficiary Fund trustee, the Church Property Trustees.

Find out more about the how the lump sum cash distribution has been calculated in the *Statement of Actuarial Processes and Assumptions*, which will be sent with the letter about your indicative lump sum distribution. (This document will also be available on the Church's website in the second week of October.)



# Beneficiary Fund

Presbyterian Church  
of Aotearoa New Zealand

## **When will I get my lump sum cash distribution?**

Should the proposal for change be approved by General Assembly at its November 2016 meeting, it is estimated that it will take several months from the official wind-up date (30 June 2017) to wind-up the defined benefits section of the Beneficiary Fund. At this stage it is estimated that lump sum cash distribution payments would be made around November 2017.

## **Will I have to pay tax on lump sum cash distribution?**

Members will not have to pay tax on receipt of their distribution from the defined benefit section, as the Fund is an approved superannuation fund.

## **Will the lump sum cash distribution affect any government benefits I'm currently receiving?**

Members in receipt of family assistance, or whose children currently qualify for student study allowances (based on their parents' income) may be adversely affected in the year of lump sum distribution as the distribution will be counted as "income" for that year. We recommend you seek advice from your financial adviser about this.

## **What about the money in my supplementary account?**

If you have a Supplementary Scheme Account, the balance in that account will not be included in your wind-up benefit

calculation, but it will be paid to you separately or transferred to the new defined contribution section when the defined benefit section of the scheme is wound up.

## **I live outside New Zealand. Will this affect payments/taxation?**

Part of the support package involves funding to assist members to take independent financial advice. We recommend that you use this grant to seek advice in your country from a respected financial adviser.

## **Who makes the decision about whether the proposed changes go ahead?**

Under the terms of the Trust Deed that governs the Beneficiary Fund, General Assembly is the only entity with authority able to decide to wind-up the defined benefits part of the Scheme. The decision of whether or not the proposed changes go ahead lies with General Assembly, which meets 15-19 November 2016.

General Assembly is comprised of 400 or so commissioners from parishes around New Zealand including ministers, elders and youth.

## **What happens if General Assembly doesn't approve the changes?**

The status quo will remain. Council of Assembly may choose to bring further recommendations to a future General Assembly.



## **I'm a commissioner, and a member of the scheme, can I still vote at General Assembly on this matter?**

Yes. Legal advice has been sought on this specific matter, and we are advised that each Commissioner can vote as they are not considered to have a sufficient conflict of interest to be prevented from voting.

## **Why can't members and annuitants vote beforehand to give the commissioners/GA 16 some guidance on how we feel. Surely it is only natural justice that we have a vote?**

The decision on whether to wind up the defined benefit section is given to the General Assembly, as set out in the Trust Deed. In saying that, we believe it is important for General Assembly to hear the voices of annuitants and members on this matter, and to assist commissioners in their discernment key themes from feedback on the proposed changes will be communicated to General Assembly.

## **Will you take our concerns to General Assembly?**

Key themes from the feedback we have received at roadshows and by phone and email will be presented to General Assembly.

## **What is the vote to have the resolution to General Assembly 16 passed?**

Sixty percent of commissioners at this year's General Assembly must vote in favour for the proposed changes to proceed.

## **Can members withdraw funds from the new Defined Contribution section before they reach 65 years old?**

The nature of this section provides more scope for flexibility than usual regarding withdrawal terms. It is intended to seek Financial Markets Authority approval for withdrawal terms for the new Defined Contribution section prior to age 65 in certain limited circumstances.

## **Up until now to join the Beneficiary Fund a minister has had to pass a medical to be able to join. Can all ministers now join without a medical?**

All ministers must join the Beneficiary Fund, including those who have previously been denied entry for medical reasons. However, if you have been denied entry, then you may continue to be outside the Beneficiary Fund if you choose to remain so.

## **If I am not retired, but I am a frozen member will I have to re-enter the Beneficiary Fund if I don't want to (i.e. can I remain frozen)?**

There is no obligation on members to transfer to the new defined contribution section. If you do choose to transfer, you will not be "frozen" (i.e. you will be able to make contributions).

## **I have been frozen member since I took an early withdrawal. But I want to be able to make new contributions as I am not retired. Can you confirm that I can be unfrozen?**



If you choose to transfer to the new defined contribution section you will not be "frozen" (i.e. you will be able to make contributions).

### **Will the Charitable Fund pay the funeral grant?**

No. All benefits that were included in the Defined Benefit section will be paid to you in your lump sum cash distribution, including this benefit. For more information about what is included in the lump sum calculation, please read the *Statement of Actuarial Processes and Assumptions* Factsheet which will be sent with your indicative lump sum distribution letter (it will also be available on the church's website in the second week of October).

### **Previously the Beneficiary Fund has paid for free medical check-ups for ministers. Will this continue?**

No. All benefits that were provided for in the Defined Benefit section will no longer apply, including this one.

### **What about my disability and death cover?**

Your wind-up payment will include the actuarial value of these entitlements which were available under the existing defined benefits section of the scheme, but will no longer be available under the proposed changes.

One thing currently under consideration is the Church negotiating group life, group

health and group income protection cover - the idea being that ministers and employees would be able to join the scheme(s) at their own cost, if desired.

### **Will Beneficiary Fund members and annuitants have access to free, independent financial advice on the calculation of the lump sum distribution?**

The financial advice support for members and annuitants is to access independent financial advice on their investment options on the occasion of the capital distribution. It is not related to the calculation of a person's actual entitlement sum, which is calculated by the Fund actuary. However, nominated financial advisors will be briefed on what is contained within the calculation so they can explain this to members and annuitants as required.

Read the *Seeking Independent Financial Advice* Factsheet for information about how to access this service (this factsheet will be available in the second week of October).

### **If I later exit the new Defined Contribution section, can I re-enter?**

If you are a contributing member (ie. not retired) then you will remain a compulsory member of the Defined Contribution section unless the trustees have approved for you to be on a contribution holiday, or you are a frozen member. Annuitants may not re-enter (see [Annuitant FAQ](#) for more detail).



## Did you think of just closing the Defined Benefit section to new members, if you are concerned on risk and other matters?

Yes, this was considered. However, to close the defined benefits section to new members would still mean that it would remain open with the current members and annuitants for at least 70 years (to cover members who are now mid to late 20s plus their future spouses through to the end of their lives), and possibly longer.

Indications to the Beneficiary Fund Work Group were that closing the Defined Benefits section to new members would not change the level of church financial contributions to the Beneficiary Fund, as the financial risks would remain during the whole of the life of the defined benefits part of the fund.

The defined benefits part of the fund has a healthy surplus now, which means winding up obligations can be met in full, with the majority of the surplus going to the Charitable Trust (and a smaller portion going back into the general reserve of the Beneficiary Fund). This may not be the case in the future.

Further, the inequalities around ministerial support (explained in the [information booklet](#)) would continue during that total period.

## Why is there a difference if I joined the Fund 2009 or later?

General Assembly 2008 voted to change the Fund for new members. For those who joined in 2009 or later lump sum and annuity on retirement are linked to each member's contributions.

Members who joined pre 2009 are members of the defined benefits section, where the annuity and lump sum are paid at a defined rate irrespective of contributions made by the individual, church or level of Fund returns.

The proposed changes address this inequity and enable the Church to offer similar retirement support in future to all of its ordained ministers.

## Will the Beneficiary Fund cease to exist?

No. National ordained ministers will continue to be required to be members of the Fund, and your church (and you) will continue to make contributions to the Beneficiary Fund as part of the mutual commitment of Church and minister to a lifelong undertaking.

## Can I still invest in the Fund?

Yes, if you wish. Members and annuitants can choose to transfer all or some of their lump sum cash distribution in the Fund. Again, we recommend that you seek independent financial advice to help with these decisions. Annuitants that choose not to transfer cannot subsequently re-enter (see [Annuitant FAQ](#) for more detail).



# Beneficiary Fund

## Why make changes now?

The current Fund surplus provides a more positive distribution environment. The defined benefits part of the fund has a healthy surplus now, which means wind-up obligations to members and annuitants can be met in full, with some of the surplus going to the Charitable Fund (and a smaller portion going back into the general reserve of the Beneficiary Fund).

## Hasn't the Beneficiary Fund been working fine for years?

The Fund has enjoyed considerable investment gains in recent years, however, such gains are not guaranteed in the future.

Additionally, the Church is seeing an increase in shrinking congregations, increasing numbers of congregations unable to afford the stipend of a national ordained minister, aging of Fund members, and decreasing Fund membership.

These trends are expected to continue and the obligation to fund any future shortfall would fall to parishes through increased Assembly Assessment. Taking action now mitigates against this possible future risk.

## If the Beneficiary Fund is not sustainable long term, how many years is it estimated until Assembly Assessment will need to increase to meet Beneficiary Fund commitment?

Because of the large number of unknown factors that influence the state of the financial market year-to-year, or even month-to-month, it simply isn't possible to provide an estimate of this with any degree of certainty.

What we can say with certainty, however, is that defined benefits schemes are no longer standard because of the inherent risk of such schemes, where unforeseen changes over time can result in large increases in organisational contributions to meet the benefits obligation.

The proposed changes address this risk by removing the requirement to pay a "defined" ongoing pension irrespective of funds available.

## What is the difference between a "defined benefit" and "defined contribution" scheme?

A defined benefit scheme provides guaranteed retirement benefits irrespective of how well the fund performs or the level of funds available. Conversely, in a defined contribution scheme, the amount eventually distributed to the individual represents the level of contributions plus investment earnings. KiwiSaver is an example of a defined contribution scheme.

Under proposed changes, the defined benefits sections of the scheme will close, and the remaining sections will be defined contribution.



# Beneficiary Fund

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## **If a minister takes a break in service, can they continue to contribute to the Beneficiary Fund?**

At present members can apply for their contributions to be frozen or may qualify to continue to contribute under the Kindred Service rules (by application to the Trustees). We anticipate that these procedures will continue with the defined contribution sections that make up the Beneficiary Fund.

## **What is the position for Presbyterian ministers serving within union churches, where management is with another denomination, or are in kindred service?**

All nationally ordained Presbyterian ministers are required to be members of the Beneficiary Fund. Where the minister serves does not impact his or her

entitlement/requirement to be part of the Beneficiary Fund. This position has not changed.

## **Where can I get more info?**

See the “Proposed changes to the Beneficiary Fund” booklets for more information about how to access pastoral support, independent financial advice, ask questions and more. (In addition to the booklet which explains impacts on members and annuitants, there is also a booklet explaining the changes for sessions and parish councils.)

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