



Chairman's 2020 Christmas message

Recently a painting by our Prime Minister – Jacinda Ardern – was sold for charity. The buyer paid \$6,700 dollars for it. It was simply a canvas with 2020 crossed out, and 2021 written underneath. At the bottom of the paper was the sentence “Let’s try that again!”

I think we can probably all relate to that. It has been a crazy year. Well – the promised 2021 is nearly here and we all hope and pray it will be a little more ‘normal’ than this year.

We have some more significant promises to look forward to. Advent is the period of the church year when we look forward – forward to Christmas and all that the celebrations of Jesus’ birth mean to us. We also look forward to the fulfilment of the Kingdom when Jesus comes and inaugurates the new heaven and the new earth. At the end of a year characterised by so much uncertainty this is a time for hope.

I pray that the Christmas services in your church and community will be characterised by hope. Just as love has to be so much more than words, so hope has to be put into action as you distribute food, and enjoy end of year parties, and give gifts to the less fortunate rebuilding their hope for a new start in 2021.

As Jesus’ coming gave a new start to all people, may the celebrations of that coming, bring a new start for you and your ministry – may it be a time of joy, peace, hope and love.

(Incidentally, we hope the good return our Scheme enjoyed this year will continue in 2021 as well.)

Ngā mihi

Rodney Duncan
Chairman



Change to the Scheme's trustee directors

In October we welcomed Grant Harris as a director of the Trustee company, Baptist Retirement Trustee Limited, as one of the 3 directors elected by the Baptist Union members of the Scheme. Rodney Duncan and Brian Cochran were also reappointed in October for a 3 year term.

Grant will be known to many of you. He is the senior pastor at Windsor Park Baptist Church and has shared the following about himself.

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Grant is a born-and-bred Manawatu boy, spending the first 26 years of his life in Palmerston North. Married with two children Grant and Jo shifted to Wellington on transfer with Westpac, his first career being the first 12 years of his working life. His last years were in Westpac's Head Office where he also became a fellow of the Bankers Institute of NZ. With a third child in tow, the family shifted to Auckland when they [eventually] had the courage to respond to God's call to pastoral ministry. Grant trained at Carey Baptist College, their fourth child was born, and on graduation the family headed to Taranaki where for 7 years Grant was Senior Pastor of Northpoint Baptist Church in New Plymouth. 11 years ago the family shifted to the North Shore where Grant remains Senior Pastor of Windsor Park Baptist Church where he has instigated a social enterprise ministry running three business-as-mission enterprises among a number of new initiatives. Grant has been Chaplain to the Sky Sport NZ Breakers for 11 seasons and chairs the board of Carey Baptist College and Sports Chaplaincy NZ. Grant and Jo now have 4 children in their twenties, the eldest two being recently married, and their eldest daughter gave birth to their first grandson during Level 4 lockdown!



Fairwell to Kelvyn Fairhall

We said farewell to long serving trustee/director Kelvyn Fairhall in October after his many years of exceptional service to members. Kelvyn provided this message for Scheme members.



It has been a privilege to be involved with and promote our Superannuation Scheme for pastoral staff in our Baptist churches for the last 25 years as it has a number of advantages. Having charitable status means there are no taxes paid on the investment income hence the returns to members can be higher than other investment vehicles. The matching employer contributions help the balances in individuals' accounts grow more quickly than if you were simply putting funds into a savings account. Consequently we have recently seen some quite large payments for people retiring after long years of service in pastoral work and parallel membership of the scheme.

We have been served well by 3 different fund managers and about 4 different administrators. It has been great to have recently linked with Anglican Financial Care for the administration as they have very competent staff who know the peculiarities of church workings. They also facilitate the huge statutory compliance requirements imposed upon us over recent years that have unfortunately brought more costs.

This compliance would be the biggest change I have seen during my tenure and it takes a significant portion of our quarterly meetings. One of these requirements is having an independent professional director who acts as a bit of a watchdog but also brings a wealth of knowledge to contribute to our governance responsibilities that we would not otherwise have had as a Board.

I thank the members for this experience and avenue of service in the Kingdom of Heaven.

A change to the Scheme's investment objectives

Over recent months the Trustee has reviewed the Scheme's investment policies and objectives. This is a process undertaken every few years.

A key consideration in this year's review was the weaker outlook for investment returns moving forward. The biggest factor which has influenced this decision is the level of interest rates. As members will know, interest rates have fallen significantly further in New Zealand and across the world in response to the COVID-19 pandemic and the outlook for lower economic growth. Few experts expect a recovery in the level of interest rates to more historically-normal levels at any stage in the next few years. Lower interest rates directly lead to lower returns from the Scheme's bond and cash investments. Indirectly, they lead to lower expected returns from shares and property – albeit these sectors are still expected to provide superior returns over the long-term, despite market volatility.

The Trustee received independent advice that the previous investment return target was unlikely to be achieved in the current environment, based on the Scheme's investment strategy. The Trustee examined options that might involve taking more risk, and concluded that any additional returns that might be achieved by such an approach would not be sufficient to justify the additional level of risk members would be exposed to. We understand from our advisers that most other schemes are taking a similar path, choosing not to seek to double-down and take on more risk, but rather to adjust future return expectations.



The logical consequence of deciding to stick with a largely unchanged investment approach is that, all else being equal, it is reasonable to expect somewhat lower returns in future. Consistent with this, the Trustee has revised down the investment returns objective from a real (i.e. in excess of inflation) return of 2.5% to 1.5%. Obviously, any returns in excess of those targets would be welcome, and there is always a lot of uncertainty about investment returns, but our professional advice is that the new lower return target is the best central estimate of how much our investment strategy can be expected to return.



A corollary of a largely unchanged investment approach together with lower expected returns over time, is that individual years with negative returns are likely to be somewhat more common. A negative return is now expected approximately one year in four.

The Scheme has performed very well historically, returning on average 7.3% per annum over the last ten years (after fees and charges), in excess of inflation which averaged 1.6% per annum over the same period. The Scheme has only experienced one year with a negative return in the last decade. In the most recent review, the Scheme's returns was ranked first in its peer group over periods of 3, 5 and 10 years

While the outlook for the near term is more modest, the Trustee remains confident that the Scheme offers a robust savings option for members which is both competitive in its returns and fees, while being prudent in terms of the risk which is taken.

A copy of the Statement of Investment Policy & Objectives is available at www.angfincare.nz/buss.

Investment of the Scheme's assets

When it comes to investing the Scheme's assets, the Trustee is mindful of their legal obligations to members, including to maximise risk-adjusted investment returns. We also take into account the wide range of differing concerns and circumstances within our membership, for example at one end younger members with a desire to grow their savings and happier to take on more risk to do so while at the other end amongst our older retired members a desire to preserve capital.

The Trustee considers it is cheaper and easier to invest the Scheme's assets with one manager. This means we have to select from the products on offer and this can present a challenge in appropriately responding to the range of possible member concerns about some or other sorts of firms.

The Scheme's assets are invested in a range of Funds provided by Nikko Asset Management New Zealand Limited (Nikko) to wholesale investors like the Trustee.



The Trustee selected Nikko to invest the Scheme's assets in 2014. As part of that selection process Nikko were made aware of the Trustees desire for the assets to be invested ethically and, where possible, to avoid some types of investments.

Over the last 6 years ethical and sustainable investment has become more main stream as more and more investors are demanding this. Nikko advises that it is important to note that it does not exclude particular asset types, industry sectors or securities wholly on moral or ethical grounds, unless this is expressly built into the product's investment strategy or client agreement.

The below table summarises the various exclusions for each Fund the Scheme is invested in:

Fund	Specific Fund exclusions:	Target Asset Mix
NZ Cash	Tobacco, Controversial Weapons, Adult Entertainment, Gambling, Fossil Fuels, Alcohol	5%
NZ Bond	Tobacco, Controversial Weapons, Adult Entertainment, Gambling, Fossil Fuels, Alcohol	17.5%
Global Bond	Tobacco, Controversial Weapons	27.5%
SRI Equity	Tobacco, Controversial Weapons, Adult Entertainment, Gambling, Fossil Fuels, Alcohol	17.5%
Global Shares	Tobacco, Controversial Weapons, Adult Entertainment, Gambling, Fossil Fuels, Alcohol	27.5%
Property	There are no specific exclusions, because the Fund is only able to invest in securities where: <ul style="list-style-type: none"> • Issued by members of GICS Real Estate Industry Group, or • Property assets make up more than 50% of total assets, or • Income derived from property assets is greater than 50%. 	5%

More details about Nikko's approach to sustainable investment and climate change at www.sustainability.nikkoam.com/ and www.sustainability.nikkoam.com/publications.