

# Merger of Anglican SuperFund-Sydney and Anglican Superannuation Australia

(A report from Anglican SuperFund-Sydney)

## Introduction

1. The Trustee Boards of Anglican SuperFund - Sydney (ASF) and Anglican Superannuation Australia (ASA) have, following extensive discussion and investigation, agreed in principle to merge the two funds. The concurrence of the Synod of the Diocese of Sydney to this merger is now sought.

## Background

2. Discussions have been underway for the past two years between the two Funds as to ways the Funds could co-operate to provide improved benefits and services to members of the respective funds. The General Synod at its meeting in 2001 encouraged ASA to explore avenues of co-operation with other Anglican superannuation funds to improve benefits and services to ASA members.

3. Set out below is a snapshot of the two funds at 31 December 2001.

	ASF	ASA
Net return for 2001	4.6%	5.9%
Crediting rate for 2001	6.0%	9.0%
Average distribution over 5 years	10.8%	10.8%
Net assets	\$122.3M	\$100.1M
Number of members	2,906	1,814

4. Following the detailed discussions and investigations it has become apparent that a merger of the two funds is the most appropriate outcome. This assessment has been endorsed in advice from external, independent superannuation consultants.

5. The Sydney Standing Committee has expressed its support for the ongoing merger negotiations and has agreed to place the resolution detailed later in this report on the Business Paper for the first session of the 46th Synod of the Diocese of Sydney at the request of the Standing Committee.

6. The Board of Anglican SuperFund - Sydney seeks the concurrence of the Synod to the merger and proposes the action detailed in paragraph 13 of this report.

## Reasons for Merger

7. The drivers of the merger discussions are the potential for ongoing cost savings which flow from a more efficient scale of operations (the savings will eventually flow to increased member retirement benefits) and the desire to secure the future of "Anglican" superannuation.

8. A merger would position both funds so that appropriate investment mandates can be negotiated - there would be sufficient assets to overcome minimum mandate size obstacles.

9. A merger moves us towards the size of fund needed to facilitate the provision of additional member services such as an interactive website and an allocated pension option for retiring members, and to do so in the light of an increasingly complex and demanding regulatory environment.

10. Currently both ASA and ASF are viable and provide a cost effective, ethical and personal service to members. A merged fund would be in an excellent position to ensure the continuance of these valuable and important aspects for members.

11. Given the goodwill evident from both trustee boards this merger proposal is a practical and timely method of addressing an issue facing both funds - ongoing viability of both funds in the context that size of fund and efficiency of operation and performance are closely linked.

12. This merger has attracted support from other Anglican superannuation funds who have indicated a desire to join with the merged fund. One of the benefits of this initial merger is that a platform will be provided to create a single national Anglican Superannuation Fund (Anglican National Super) which will be attractive to the remaining Anglican superannuation funds.

## Proposal

13. The Board of Anglican SuperFund - Sydney proposes the following three step process to progress the merger proposal -

- (a) To bring a draft resolution to the 2002 session of Synod which -
  - consents to the merger,
  - notes that both funds will initially be managed by the same board (12 from ASF and 8 from ASA),
  - requests the Standing Committee to pass such ordinance(s) and resolutions as are necessary to

- put into effect the first and second stages of the merger and
  - requests a progress report to each ordinary session of Synod until the merger is completed.
- (b) Subject to the Synod agreeing to the resolution in (a) the Standing Committee to approve an ordinance to increase the size of the ASF Board from 12 to 20 for a period of up to two years including consequential amendments.

This ordinance will allow the ASA Directors to join the ASF Board so that both funds can be managed by the same Board during the transitional phase. Simultaneously ASA will be amending their trust deed to allow ASF Directors to join the ASA Board.

Superannuation legislation requires equal representation of employees and employers on the trustee board and this arrangement would maintain compliance with the legislation.
- (c) Subject also to the Synod agreeing to the resolution in (a) and following completion of the work by the joint Board to design the trust deed for the merged fund, the Standing Committee to approve such ordinance(s) or resolutions to put into effect the following.
  - Repeal of the Sydney Diocesan Superannuation Fund Ordinance 1961 (the 1961 ordinance) and vest the powers under the 1961 ordinance in a new body corporate which will be the trustee of the merged fund,
  - An ordinance or resolution to set up the new trust deed which retains the member benefit conditions of the 1961 ordinance and which also provides for the following -
    - (i) the election of member representative trustee directors by the members of the new fund,
    - (ii) the appointment of employer representative trustee directors,
    - (iii) the transition from a Board of 20 to a Board of no more than 12,
    - (iv) details the powers and responsibilities of the new trustee corporation,
    - (v) gives the new trustee corporation power to manage other superannuation funds and
    - (vi) the annual reporting of activities of the merged fund to the "parent" Synods - the Diocese of Sydney Synod and the General Synod of the Anglican Church of Australia.

14. The election of member representative directors would be by ballot of all members of the merged fund. With a ratio of three ASF members to two ASA members it would be expected that the ASF level of member representation would be maintained.

15. Employer representative directors would be appointed by the "parent" Synods - Sydney Diocesan Synod and the General Synod. The exact ratio has yet to be determined but initial thinking is that the ratio would be determined by the members and assets brought to the merger. This scenario would see the Sydney Synod having a significant input into the composition of the employer representative directors on the trustee board.

### **What are the Gains and Losses?**

16. For ASF members little will change in the administration of the Fund apart from a name change and lower administrative and investment costs. The new fund will, if things progress as expected, continue to be administered from St Andrews House by the same team administering ASF.

17. The representation on the trustee board would reflect the members and assets brought to the merger.

18. In the medium to longer term an entity will be created which will ensure the viability of Anglican ethical superannuation. The administrative expense of the new fund is expected to be less than the average for comparable funds. Further savings are expected as the increased fund size allows negotiation of lower charges for investment management and insurance to come into play.

19. Additional fee income will be received by the Sydney Diocesan Secretariat to administer the larger fund (the Melbourne office of ASA will close). Additional administrative fee income overall is estimated at \$280,000.

20. Opportunities would arise for the Glebe group of companies to secure investment management funds additional to that already managed for ASF. Ultimately this would mean additional funds for the Synod to distribute for ministry.

21. The only significant loss would be the identity of ASF (ASA also disappears). The merged fund would be known as Anglican National Super.

22. The interim Board during the merger phase will consist of 12 members from ASF and 8 members from ASA. This may be considered a large Board but it is a necessary step to ensure that confidence in the merger is achieved at all levels. The Board would be reduced during the transition period to no more than 12 members.

### **Summary**

23. In summary -

- the members of the Fund gain as ongoing costs (administration, investment, insurance) are significantly controlled or lowered (thus increasing retirement benefits),
- additional fee income will be generated within the Sydney Diocesan Secretariat to maintain and upgrade superannuation services to current and future members,
- opportunities will present to increase the investment management mandate of Glebe Asset Management

- (with consequent additional income for Synod),
- the individual identities of the two existing funds disappear to be replaced by a new banner - Anglican National Super and
- the future of ethical Anglican superannuation is underpinned for further growth.

**Recommendation**

24. It is recommended that the Synod agrees to the following resolution -

“That this Synod -

- (a) consents to the merger of ASA and ASF,
- (b) notes that that both funds will be managed initially by the same Board consisting of 12 members from ASF and 8 members from ASA,
- (c) requests the Standing Committee consider such ordinance(s) and resolutions as are necessary to put into place the merger and
- (d) requests a progress report to each ordinary session of Synod until the merger is completed.”

For and on behalf of Anglican SuperFund-Sydney

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*Fund Secretary*

20 September 2002