

28/11 General Synod Assessments and Consultation

(A progress report from the Standing Committee.)

Purpose

1. The purpose of this report is to inform the Synod about various matters arising from Synod resolution 28/11 including progress in discussions about possible principles and policies to govern the use of General Synod funds.

Recommendation

2. It is recommended that the Synod consider the following motion which will be moved at the forthcoming session of the Synod "by request of the Standing Committee" –

'Synod, noting the report "28/11 General Synod Assessments and Consultation" –

- (a) encourages ongoing dialogue at the forthcoming session of the General Synod in 2014 in response to General Synod resolution 155/10 concerning the unity of the Anglican Church of Australia, and
- (b) welcomes the work of the Financial Principles and Policies Task Force (the "Task Force") in considering the financial principles and policies which should apply to the use of General Synod funds, and
- (c) endorses the Standing Committee's response to the proposals in the Task Force's report of October 2012, and
- (d) notes the General Synod Standing Committee is due to consider the outcome of the Task Force's work at its meeting in November 2013, and
- (e) in anticipation of the satisfactory resolution of this matter, approves the payment of an additional \$27,332 from funds under the Synod's control to meet the shortfall between the total amount to be invoiced for the General Synod assessment in 2013 (\$348,332) and the amount currently allocated by the Synod for this purpose (\$321,000).'

Background

3. The Synod passed resolution 28/11 in the terms set out in Attachment 1. This resolution provided an initial framework for pursuing dialogue with the General Synod in 3 broad areas, namely –

- (a) the unity of the Anglican Church of Australia,
- (b) the financial principles and policies to govern the use of General Synod funds, and
- (c) General Synod assessments.

Unity of the Anglican Church of Australia

4. The first area of dialogue concerns the unity of the Anglican Church of Australia arising from General Synod resolution 155/10 passed at its session in September 2010. This resolution is in the following terms –

"Noting that this Session of General Synod is the closest scheduled meeting to the fiftieth anniversary of the commencement of the 1962 Constitution of The Anglican Church of Australia expresses its gratitude for the benefits that independence from the Church of England have brought.

It also acknowledges the serious stresses to the unity of the ACA that have developed over these 50 years and requests Standing Committee to appoint a representative commission to examine how the dioceses might better live together as a national body and bring to the next Session of Synod proposals, including constitutional amendments, which will allow the ACA to better express its unity and fellowship into its second 50 years."

5. In December 2010, the General Synod Standing Committee (the "GSSC") established the National Unity Task Force to facilitate discussion of the matters raised by resolution 155/10.

6. At its meeting on 10 December 2012, the GSSC invited 5 nominees to represent the Diocese of Sydney at a special meeting of the GSSC between 26 and 28 April 2013 to discuss the question of unity. Those representing the Diocese were Mr Neil Cameron, Canon Rick Smith, the Rev Dr Mark Thompson, Mr Doug Marr and the Rev Nigel Fortescue.

7. The initial impetus for these unity discussions was the 4 bills which the Standing Committee had requested be considered at the 2010 session of the General Synod and which had again been requested be considered at the next session of the General Synod in 2014. However it became apparent that focussing on these proposed amendments would not only unnecessarily restrict identifying ways in which

we can work together better as a denomination but would also be seen as giving undue weight to the views of the Diocese of Sydney at the expense of the views of other dioceses. Accordingly steps were taken at the meeting to encourage broader discussions.

8. Those representing the Diocese of Sydney at the special meeting reported that the discussions were both cordial and useful.

9. It is understood that the General Synod Design Group, being the group appointed by the GSSC to develop proposals for the consideration of the business at the General Synod session in 2014, is considering including as part of the General Synod session a continuation of discussions concerning unity along the lines of the April GSSC meeting. Accordingly the Standing Committee has requested that a summary of personal reflections of those who participated in the discussions at the GSSC meeting be sent to both the Design Group and also to the National Unity Task Force to take into account as they undertake their work.

Financial principles and policies for General Synod funds

10. The second area of dialogue with the General Synod has involved consideration of proposals formulated by a second Task Force established by the GSSC in December 2010, the Financial Principles and Policies Task Force (the "Task Force"), concerning the principles and policies which should apply to the use of General Synod funds.

11. Following some initial consultation in 2011, the Task Force circulated a report to dioceses in October 2012 for comment. A copy of this report, in a form which omits attachments detailing non-preferred models of financial governance, is set out in Attachment 2.

12. In a submission made in March 2013, the Standing Committee made the following key points in response to the Task Force's report –

- **Preferred Model:** While none of the models outlined in the report entirely align with the financial principles and policies which the Standing Committee believes should be adopted for General Synod funds, the Task Force's preferred Model 4 comes closest. The main point of difference relates to the treatment of the Reserve Fund.
- **Reserve Fund:** The Standing Committee supports the Reserve Fund being maintained at an appropriate level to ensure the General Synod is capable of meeting any unforeseen expenses imposed on the Anglican Church of Australia, such as the costs incurred in properly responding to the Royal Commission on Child Sexual Abuse. However the Standing Committee does not support any proposal to treat the Reserve Fund as a perpetual and growing endowment.
- **Statutory Fund:** The Standing Committee accepts that payments are properly made from the Statutory Fund to cover the Primate's registry and travelling expenses in accordance with the Constitution. However the report does not examine the basis upon which other primatial activities should be funded. This should be considered in the context of other funding principles and a solution which is acceptable to all dioceses should be sought so that this issue does not remain an issue of contention.
- **Special Fund:** The Standing Committee generally endorses the comments in the report concerning the Special Fund including the reinforcement of the fact that contributions to this Fund are voluntary. The Standing Committee also considers the proposal to discontinue the previous practice of using surpluses from the Shared Services Fund to offset assessment payments made to the Special Fund is, as a matter of principle, correct given the voluntary nature of assessments paid to the Special Fund.
- **Shared Services Fund:** The Standing Committee supports generally the proposal in relation to the Shared Services Fund (SSF), particularly that surpluses from the SSF should not continue to be used to offset the assessments payable to the Special Fund and to fund the Primate's assistant. The Standing Committee considers that surpluses from the SSF should be used wholly to offset the amounts levied as statutory assessments on dioceses except where there is a need to replenish the Reserve Fund to adequate levels of capital, in which case surpluses should be diverted for this purpose.
- **Indigenous Fund:** The Standing Committee supports, in principle, the maintenance of the Indigenous Fund as a perpetual endowment.

13. The treatment of the Reserve Fund was further considered at a meeting on 21 May 2013 between the Chairman of the Task Force, Mr Allan Perryman and representatives of the Standing Committee. At the conclusion of the meeting, those representing the Standing Committee indicated their general support for the Task Force's recommendations in relation to the Reserve Fund subject to –

- (a) an appropriate ceiling on the size of the Reserve Fund being set to ensure that its purposes are limited to the provision of working, risk and emergency capital and to make clear that the Reserve Fund is not to operate as a perpetual endowment, and
- (b) suitable criteria being developed to describe the circumstances in which emergency payments can be made from the Reserve Fund, being payments which should not include recurrent expenditure properly budgeted for and paid from the Statutory Fund or discretionary expenditure which is appropriately paid from the Special Fund.

14. The GSSC is due to consider the outcome of the work of the Task Force at its meeting in November 2013.

General Synod assessments

15. The third area of dialogue involves the ongoing issue of General Synod assessments.

16. At its meeting on 25 February 2013, the Standing Committee resolved to authorise payment of the amount of \$87,083 on account of the first quarterly instalment of 2013 General Synod assessments for this Diocese totalling \$348,332. The Standing Committee agreed to authorise this payment but noted that since it had not at that time been advised of the full figures on which the 2013 assessment was based, it reserved its position in respect of future payments.

17. Additional information was subsequently provided concerning the calculation of the 2013 assessment. In light of this additional information, the Standing Committee agreed to withdraw its reservation on the payment of future instalments for the 2013 assessment. It took this step on the basis that the shortfall of \$27,332 between the total amount to be invoiced for 2013 assessments (\$348,332) and the amount currently allocated by the Synod for this purpose (\$321,000) would be referred to the forthcoming ordinary session of the Synod so that it can address this issue in light of the outcome of the work of the Financial Principles and Policies Task Force.

For and on behalf of the Standing Committee.

ROBERT WICKS
Diocesan Secretary

11 September 2013

28/11 General Synod assessments and consultation

Synod, noting the report on 12/10 General Synod Assessments and Consultation with the General Synod Standing Committee –

- (a) in light of –
- (i) page 4-084 of Book 4 – General Synod Standing Committee Financial Report, The Fifteenth General Synod, 2010, that records –
 - the General Synod forecast surplus from its business activities in 2012 is \$143,360,
 - the General Synod forecast revenue that leads to that surplus is \$522,000, being \$294,000 from the Long Service Leave Fund and \$228,000 from Telstra Commissions, and
 - (ii) the contribution that will be made to that surplus by –
 - Sydney diocesan clergy, who make up approximately 33% of the active membership of the Long Service Leave Fund, and
 - the hundreds of Sydney parishes and parishioners and the dozens of Sydney diocesan schools, organisations and associated individuals who are contracted to Telstra via the Telstra Anglican Plan,
- requests that the General Synod Standing Committee –
- grants relief to Sydney's 2011 general assessment charge proportionate to Sydney's contribution to the surplus from the General Synod's business activities, and
 - sets future budgets for the general assessment aware of Sydney's contribution to the surplus from the General Synod's business activities, and
- (b) supports the adoption of the following principles in respect of the finances of the General Synod –
- (i) existing surpluses in the Special Fund should be used to reduce the amount of special assessment payable by those dioceses who choose to pay the special assessment,
 - (ii) no surpluses should be accumulated in the Special Fund in the future,
 - (iii) income from the General Synod reserve should be used to fund the General Secretary's office,
 - (iv) royalties should be paid from the sale of liturgical resources back to the General Synod reserve, and
- (c) notes that 3 bills for canons promoted by representatives of this Diocese at the last session of the General Synod with the support of the Standing Committee, namely –
- (i) the bill to amend section 30 of the Constitution so as to make a declaration by the synod of a diocese that a canon affects the order and good government of the church within a diocese or the church trust property of the diocese conclusive, and
 - (ii) the bill to amend section 32(2) of the Constitution so as to ensure a financial liability imposed on a diocese is limited to the costs, charges and expenses necessary to maintain the Constitution, and
 - (iii) the bill to amend section 63 of the Constitution so as to bring to an end the advisory opinion jurisdiction of the Appellate Tribunal,
- were not debated or considered by the General Synod, and
- (iv) records its view that these amendments are critical to the maintenance of harmonious relationships within the Anglican Church of Australia, and
 - (v) requests the Diocesan Secretary to pass these views on to the Standing Committee of the General Synod and to the National Unity Task Force established by that body, and
 - (vi) further requests that these amendments, in the same or modified form be promoted to the next session of the General Synod by its representatives on that body.

Financial Principles and Policies Task Force
Possible Principles and Policies to govern the use of General Synod Funds
October 2012

1. Introduction

The Financial Principles and Policies Task Force (FPPTF) have considered the appropriate principles and policies to apply to the use of General Synod Funds. The Task Force deliberated via three face-to-face meetings and email.

2. Task Force Membership

- Allan Perryman (Chairman) (after 20 November, 2011)
- John McKenzie (Previous Chairman) (up to retirement from Task Force on 20 November, 2011)
- Bishop John Harrower
- Mike Codling
- Peter Kell
- Ken Spackman
- Michael Nicholls
- James Flavin (retired June, 2011)
- Martin Drevikovskiy (by invitation)

3. Context and Definitions

The General Synod manages five separate funds, to which these financial principles and policies apply.

a. Statutory Fund

The Statutory Fund has been financed by “compulsory” assessments levied upon Dioceses that are used to fund:

- The conduct of General Synod
- Meetings of Standing Committee
- Meetings of Executive Committee
- Meetings of Commissions, Task Forces and Working groups
- Primate costs
- General Synod Office

b. Special Fund

The Special Fund has been financed by voluntary assessments levied upon Dioceses to fund grants to various national and international bodies, and for participation in national and international conferences

c. Reserve Fund

The purpose of the Reserve Fund is:

- To provide a financial “buffer” for the General Synod
- To allow expenditure on non-budget items usually of a “once off” nature
- To build a corpus for funding of operations and thereby reducing the reliance on statutory assessments as the source of funding for General Synod activities

d. Shared Services Fund

The purpose of the Shared Services Fund is to receive and record the revenue and expenses from the business arrangements undertaken by the General Synod Office

e. Indigenous Endowment Fund

The purpose of the Indigenous Fund is to support the work of the National Aboriginal Bishop

4. Financial Principles

The proposed financial principles are intended to support both the ongoing viability of the General Synod and its ability to achieve its objectives.

The proposed financial principles assumes that the General Synod accepts that it should engage in business activities to supplement its revenue and thereby lessen the size of Statutory Assessments required to be levied on the Dioceses.

a. Purpose of the Financial Principles

- Ensure that the General Synod establishes and maintains control of its financial destiny.
- Ensure that General Synod's financial resources are applied towards implementing the desired strategies and initiatives of the General Synod, including those activities mandated by the Constitution, in a sustainable manner
- Ensure that the General Synod balances its expenditure with its revenue raising capacity.

b. Overarching Principles

The funding model used by General Synod will:

- Be fair and equitable between all Dioceses.
- Achieve a long term income and expenditure balance giving due recognition to the financial capacity of Dioceses to contribute.
- Maintain reserves at levels that are adequate to provide a buffer for large or unexpected short-term cash flow fluctuations.
- Ensure that significant or material shifts in the allocation of General Synod expenditure are directly linked to either policy changes of General Synod or Standing Committee decisions that are supported by appropriate resolutions.
- Ensure that the income and expenditure of the General Synod and the funding model will be entirely transparent to the Dioceses.

c. Policies in Respect of General Synod Funds

Statutory Fund

- The purpose of the Statutory Fund is to give effect to the Constitutional provision that it is a duty of Standing Committee to apportion among and collect from the Dioceses on an equitable basis the necessary working expenses of the Synod and the Standing Committee and other expenses authorised by Synod
- The Statutory Funds are raised from Dioceses on an apportionment basis using the proportion of General Synod membership as defined in the table annexed to the Constitution that is used to determine the number of representatives each Diocese shall send to Synod
- The funds are spent on:
 - Conduct of General Synod – typically 3 year cycle
 - Meetings of Standing Committee – typically 2 to 3 a year
 - Meetings of Executive Committee – typically 2 to 3 a year
 - Meetings of Commissions, Task Forces and Working groups
 - Primate
 - General Synod Office

Special Fund

- The purpose of the Special Fund is to raise voluntary assessments from Dioceses to meet certain national and international expenditure.
- The special assessments are raised from dioceses that choose to participate, on an apportionment basis using their proportion of General Synod membership as defined in the table annexed to the Constitution.
- The funds are spent on grants to various national and international bodies, and for participation in national and international conferences.

Shared Services Fund (SSF)

- The purpose of the SSF is to receive and record the revenue and expenses from the business arrangements undertaken in the General Synod Office (GSO). Currently this comprises the Long Service Leave Management Agreement and the Telstra Business Services Agreement.
- The “Telstra Arrangement” is in essence a contracted price list that Telstra provides to the General Synod and through the Synod to all other Anglican bodies. This is a way of Telstra offering discounted telco services to religious organisations (Anglicans, Roman Catholics and Uniting Church negotiate together). This arrangement results in significant savings to participating parishes, Dioceses and other organisations. The General Synod receives a turnover based percentage income amount which covers expenses and provides a surplus. The arrangement is a contract of 3 years duration.
- The Long Service Leave Fund (LSLF) arrangement sees the LSLF contracting the administration of the fund to the GSO from which the General Synod earns a fee. The arrangement is on a year to year basis.
- The expenses of the SSF are
 - those charged directly to the fund
 - a labour cost based on the time a GSO employee spends working on the business arrangements
 - a fixed cost which is allocated against the individual business arrangements based on the proportion of total days worked on each of the relevant arrangements.
- Starting from 2011, the surplus from the SSF has been used to fund in part the Primate’s Assistant and to offset assessment payments made by the Dioceses to the Special Fund. It is proposed that this not continue
- Dividends from Broughton Publishing (when they occur) should be paid into the SSF.
- As a strategic policy, it is desirable for the SSF to be the vehicle for the General Synod to engage in more business arrangements so as to:
 - Provide “members” with benefits they could not attain individually (e.g. the Telstra Contract)
 - Provide members with an efficient means of conducting their affairs e.g. the National Insurance Scheme, common banking/investment entities
 - Augmenting GS funds so as to offset Assessments, fund one off projects, etc.

Conceptually, a business arrangement may be put in place that is utilised by some members but not all, for example, an arrangement that provides services to rural dioceses. There may then be an issue of equity as to where the surpluses from such a program are applied.

It is prudent to develop business activities as an assessment offset in view of the concern that some Dioceses may become increasingly financially stretched such that assessment payments are at risk.

Indigenous Endowment Fund

- The Indigenous Endowment Fund was established with grants from the Diocese of Melbourne and other parties to create income to support ministry amongst Australian Indigenous Anglicans. Standing Committee has resolved that the fund should operate on an endowment principles basis.
- Funds have been expended in support of the National Aboriginal Bishop based in the Diocese of North Queensland, along with a grant from the Statutory Fund. That position has been vacant since 31 December 2010.

Reserve Fund

- The purpose of the Reserve Fund is to accumulate and invest royalties, bequests and other non-assessment income derived by the General Synod, and to apply income over and above that necessary to preserve the real capital value of the fund, or the minimum as determined in Section 4.2.8, to specific projects approved by the Standing Committee. Within the fund, there is a separate capital account (Capital Fund 1999) comprising an amount equal to the original transfers into the Reserve Fund plus increases based on the inflation rate over the period since 1999. The Reserve Fund was created in 1996 from funds derived from APBA publishing,

surpluses from the Telstra Arrangement and investment returns. From 2010 the revenues and expenditures of the Telstra Arrangement were transferred to the Shared Services Fund.

- Funds have been expended on special projects such as Fresh Expressions Australia and the Indigenous Ministry Review Committee, and since 2011, partially funding the Primate's Assistant.
- The future uses to which reserves may be put include:
 - Partially offset assessments by using the earnings of invested reserves.
 - Fully fund assessments (aspirational).
 - Provide seed capital for new business activities commenced to augment General Synod revenue which might be used to offset assessments
 - Fund special projects
 - Fund one-off large expense items (e.g. office relocation or IT Upgrade)
 - Hold a prudent reserve to fund operations in the event of a catastrophic loss of income.
- Sources of funds to build and/or maintain the Reserve Fund are:
 - Retained earnings from the Shared Services Fund i.e. surpluses from business activities
 - Retained earnings from the Reserve Fund.

5. Flowchart of Fund Movements

The FPPTF developed four models that provide for “funds flow” options that the Task Force believed were worthy of consideration.

The annexure includes the four funds flow models as Fund Flow Diagrams and the “dollar” impact of each model on the various General Synod Funds is considered for the years 2010 to 2013 (inclusive) in numerical matrices. For the years 2012 and 2013 the base numbers used were budget and forecast numbers respectively.

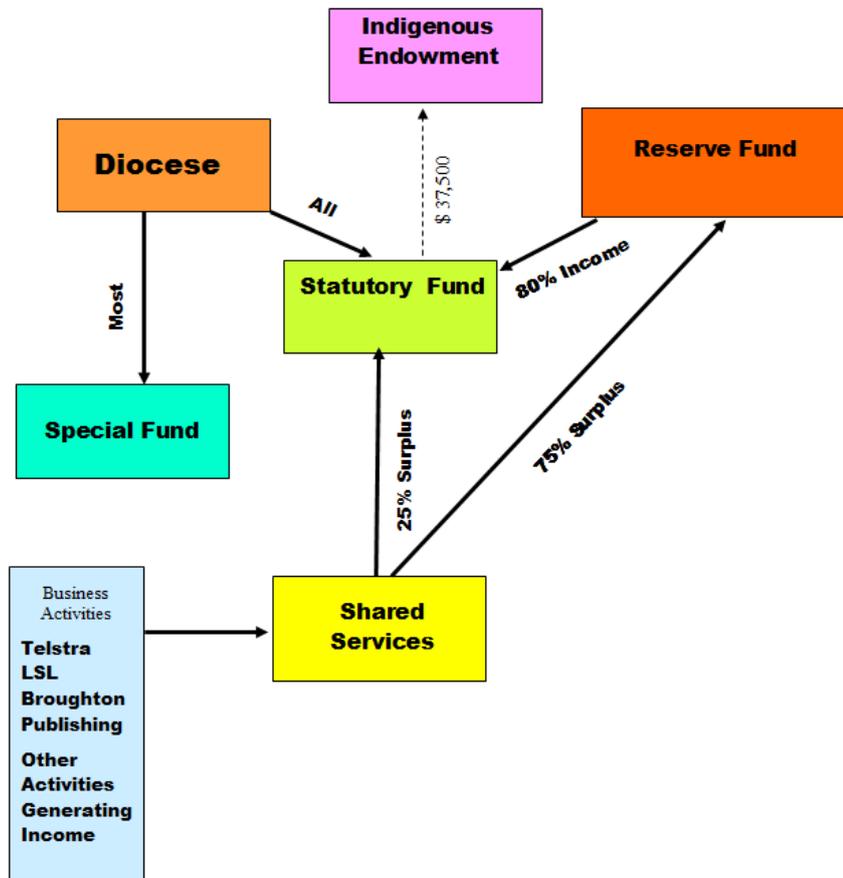
Background Information

In preparing the four fund flow models, the following assumptions were made:

- i. All references to surpluses and income amounts are references to amounts achieved in the prior financial year
- ii. The Shared Services Fund came into existence in 2010 and therefore there are no distributions from Shared Services Fund until 2011
- iii. The Reserve Fund is never be allowed to fall to an amount that is less than the total of the previous financial year's operating costs plus 20%
- iv. The Reserve Fund is expected to slowly grow and the income derived from the Fund is expected to provide an increasing proportion of the General Synod funding requirement (thereby lowering the necessary statutory assessment).
- v. An aim of the funds flow models is to lessen the potential for volatility in the level of income (and therefore surplus) generated within the Shared Services Fund.
- vi. No new income stream has been anticipated or proposed for the Indigenous Endowment Fund.
- vii. The Statutory Fund will pay the Primates allowance of \$140,000

On the following page, the model preferred by the Task Force (model 4) is shown. It was believed that this model fulfilled the criteria set, and offered the possibility of ongoing subsidy to the Statutory Assessment based on an endowment style distribution. This model also gives some immediate subsidy in the years where the income of the Shared Services Fund is higher.

THE PREFERRED MODEL



If the reserve fund had not been used to fund two large amounts in the last year, then the effect of implementing the above proposal for 2013 would be as below. This gives an indication of what may be expected in the future.

Year 2013 Forecast P&L – Preferred Model	Forecast Year Ytd 2013					
	Stat	IE	Res	Spec	SSF	Total
Operating Profit / (Loss) - Before Adjustments	24,616	9,285	119,608	(86,192)	100,705	168,022
Adjustments						
Primate - add back original	98,367		38,071		76,142	212,580
Primate - proposed	(140,000)					(140,000)
Operating Profit / (Loss) - After Adjustments	(17,017)	9,285	157,679	(86,192)	176,847	240,602
-						
Proposed flow of Funds						
Shared Services Surplus - 25%	41,590	-	-	-	(166,359)	(124,769)
Shared Services Surplus - 75%	-	-	124,769	-	-	124,769
Reserve Fund Income - 80%	163,057	-	(163,057)	-	-	-
Net Gain/(Loss) transfers	204,647	-	(38,288)	-	(166,359)	-
Surplus + Flow of Funds Total	229,263	9,285	81,320	(86,192)	(65,654)	168,022

Impact on Assessments

Statutory Assessments decreased by: **204,647**

When the proposed minimum on the Reserve Fund is imposed the following would be the case.

Year 2013 Forecast P&L – Preferred Model	Forecast Year Ytd 2013					
	Stat	IE	Res	Spec	SSF	Total
Operating Profit / (Loss) - Before Adjustments	24,616	9,285	119,608	(86,192)	100,705	168,022
Adjustments						
Primate - add back original	98,367		38,071		76,142	212,580
Primate - proposed	(140,000)					(140,000)
Operating Profit / (Loss) - After Adjustments	(17,017)	9,285	157,679	(86,192)	176,847	240,602
-						
Proposed flow of Funds						
Shared Services Surplus - 25%	41,590	-	-	-	(166,359)	(124,769)
Shared Services Surplus - 75%	-	-	124,769	-	-	124,769
Reserve Fund Income - 80%	-	-	-	-	-	-
Net Gain/(Loss) transfers	41,590	-	124,769	-	(166,359)	-
Surplus + Flow of Funds Total	66,206	9,285	244,377	(86,192)	(65,654)	168,022

Impact on Assessments

Statutory Assessments decreased by: 41,590

The result of this for the larger diocese is estimated to be as follows with the minimum Reserve Fund as above.

Statutory Fund	CURRENT	MODEL
	2013	2013
Adelaide	67,500	65,272
Brisbane	112,500	108,787
Melbourne	202,500	195,816
Perth	101,250	97,908
Sydney	315,000	304,603
Special Fund	CURRENT	MODEL
	2013	2013
Adelaide	16,464	16,464
Brisbane	27,440	27,440
Melbourne	49,392	49,392
Perth	24,696	24,696

ATTACHMENT
Financial Principles and Policies Task Force
Options considered.
October 2012

Four Models were selected for investigation.

The models were required to meet the following criteria.

- Be fair and equitable between all Dioceses.
- Achieve a long term income and expenditure balance giving due recognition to the financial capacity of Dioceses to contribute.
- Maintain reserves at levels that are adequate to provide a buffer for large or unexpected short-term cash flow fluctuations.
- Ensure that significant or material shifts in the allocation of General Synod expenditure are directly linked to either policy changes of General Synod or Standing Committee decisions that are supported by appropriate resolutions.
- Ensure that the income and expenditure of the General Synod and the funding model will be entirely transparent to the Dioceses.

In preparing the four fund flow models, the following assumptions were made:

- i. All references to surpluses and income amounts are references to amounts achieved in the prior financial year
- ii. The Shared Services Fund came into existence in 2010 and therefore there are no distributions from Shared Services Fund until 2011
- iii. The Reserve Fund is never be allowed to fall to an amount that is less than the total of the previous financial year's operating costs plus 20%
- iv. The Reserve Fund is expected to slowly grow and the income derived from the Fund is expected to provide an increasing proportion of the General Synod funding requirement (thereby lowering the necessary statutory assessment).
- v. An aim of the funds flow models is to lessen the potential for volatility in the level of income (and therefore surplus) generated within the Shared Services Fund.
- vi. No new income stream has been anticipated or proposed for the Indigenous Endowment Fund.
- vii. The Statutory Fund will pay the Primate's allowance of \$140,000

Model 1: The original model considered by the Task Force. Under this model, the surplus from the Shared Services Fund is split equally between the Statutory Fund and the Reserve Fund. There is also a distribution out of the income of the Reserve Fund, 10% to Special Fund and 70% to the Statutory Fund. This model was not preferred as the Task Force felt a greater share of the Shared Service Fund surplus should be directed to the Reserve Fund and the small (10%) distribution to the Special Fund added complexity for little benefit.

Model 2: This model is the same as Model 1 but with the income distribution (10%) from the Reserve Fund to the Special Fund removed. This model was not preferred as the Task Force felt a greater share of the Shared Services Fund surplus should be directed to the Reserve Fund.

Model 3: This model increases the amount of the Shared Services Fund surplus being distributed to the Reserve Fund (75%) and reduces the share of the surplus going to the Statutory Fund (25%). There is also a distribution out of the income of the Reserve Fund, 10% to Special Fund and 70% to the Statutory Fund. This model was not preferred as the Task Force felt the small (10%) distribution to the Special Fund added complexity for little benefit.

Model 4: Preferred model. This is the Preferred Model. This model increases the amount of the Shared Services Fund surplus being distributed to the Reserve Fund (75%) and reduces the share of the surplus going to the Statutory Fund (25%). There is also a distribution of 80% of the income of the Reserve Fund to the Statutory Fund. This model results in a "distribution" from the Reserve Fund to the Statutory Fund of \$41,000 in 2013. The distribution would have been significantly larger (in excess of \$200,000) but for the Task Force imposed requirement that the Reserve Fund only make distributions once the equity in the Fund is equal to 1.2x the previous year's operating costs.