



Anglican Church Diocese of Sydney

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22 January 2020

The Finance Committee of Standing Committee of Synod
C/- Mr Martin Thearle, Secretary
Level 2, St Andrew's House
SYDNEY SQUARE NSW 2000

Review of Diocesan Investment Strategy

Dear members of the Finance Committee

Thank you for your letter dated 21 November 2019 which was received by the ACPT at its board meeting on 12 December 2019.

You will recall that the ACPT provided a previous submission to the Finance Committee (and Standing Committee) in relation to this matter dated 8 July 2019 (copy attached). We understand that the Finance Committee received the ACPT's submission during September 2019.

While in substance, there is a manager of the pools of diocesan invested funds in Mercer, the ACPT does not consider that the question is so much around a single trustee as around the question of the nature of the oversight.

The recent decision to amalgamate the EOS Capital and Expenditures Funds means that, as a matter of governance, the EOS Corporation should have direct responsibility for all of its capital. In other words, the ACPT's understanding of trust law is such that it considers best practice governance to demand any entity, whether ACPT, GAB or EOS Corporation, retain direct oversight accountability of its assets.

In conjunction with the amalgamation of the two EOS funds, Standing Committee simultaneously authorised the transfer of the EOS Capital Fund's previous investment in the LTPF to a related EOS entity for which ACPT is the trustee. As a consequence, the ACPT proposes to invite the EOS Corporation to have a representative(s) attend the quarterly ACPT and GAB meetings with the asset manager, Mercer.

The advantage of having input to the joint ACPT/GAB quarterly meetings from a third diocesan entity with significant funds under management, should not be underestimated. Indeed, ACPT considers that ensuring input from members of three boards/committees with direct accountability for the performance of its underlying investments is likely to be more effective governance than having a

as trustee holding funds for the benefit of others.

The ACPT Board reaffirms the following key issues:

- 1) The ACPT as trustee for the Long Term Pooling Fund (LTPF) and the GAB as trustee for the Diocesan Endowment (DE) are the two significant central pools of investment funds in the diocese. Although, following the amalgamation of the Endowment of the See's Capital and Expenditure funds under the EOS Corporation's oversight, adds a third investment fund to the equation, albeit, noting that the Endowment of the See's investment continues to be held by way of units in the LTPF.
- 2) The ACPT considers that the status quo trustee structures of two distinct separate legal trustees of each fund continues to be the optimal, efficient and sensible structure for holding and managing these two funds.
- 3) The performance of the two funds over the 1, 3 and 5 year horizons have been variable as shown in Attachment 1.
- 4) While the GAB has previously indicated a preference for the amalgamation of the DE and the LTPF into a single investment fund, the ACPT's view remains that the previously assessed marginal benefits of amalgamation do not outweigh the risk associated with having the two significant central pools of investment of the diocese governed by a single board. Indeed, the quite stark contrast between the reaction of the GAB (albeit under the direction of different trustees to the current GAB board) to the Global Financial Crisis of the mid 2000's in respect to preservation of the DE through that crisis with the manner in which the ACPT managed the LTPF through the same crisis, is quite salutary.
- 5) Essentially, the diocese already gains the significant benefits of aggregation of the LTPF and DE for management and fee setting purposes under a single investment manager in Mercer, while maintaining two separate governance structures.
- 6) The ACPT chair has informally discussed with the Diocesan Registrar the desirability of inviting a representative of the EOS Corporation to participate in future quarterly briefings provided to the members of the ACPT's investment, insurance and finance sub-committee and the GAB by Mercer. A formal invitation will now be extended.

In closing, the ACPT notes its previous comment that if the Standing Committee is minded to amalgamate the LTPF and DE into a single fund with one trustee, then:

- a) Legislation would be required and the legal position clarified. The ACPT is unaware as to whether any steps have been taken to seek such advice; and
- b) the ACPT remains particularly of the view that if the notion of having a separate supposedly specialist trustee for the holding of invested funds was to be taken further, that step would be of such significance that the ACPT considers that the matter needs to be referred to the Synod for consideration.

The ACPT respects the fact that the Synod/Standing Committee is able to determine, over time, the membership of the boards of particular trustees and that this is an effective and proper process for determining the requisite skills and experiences for boards.

The ACPT board would be pleased to provide any further clarity of its position that either the Finance Committee or Standing Committee might seek, and, to that end, is amenable to the members of the Finance Committee meeting with a sub-committee of the ACPT board. If the Finance Committee or Standing Committee sees merit in such a meeting, can you please liaise with Mr Greg Ellem, Head of Parish Property who will assist coordinate a mutually suitable meeting date.

Yours sincerely

RICHARD NEAL
Chair
Anglican Church Property Trust
Trust Diocese of Sydney

MELINDA WEST
Deputy Chair
Anglican Church Property
Diocese of Sydney

cc: The Most Rev Dr Glenn Davies, Archbishop of Sydney