TRUSTEE INVESTMENT FUND POLICY & GUIDELINES

Following increasing requests from congregations and committees to deposit their surplus funds outside the Presbyterian Church Trustee Investment Fund ("TIF"), the Trustees have collated various previous communications and legal opinions and developed the following TIF Policy and procedures for General Assembly information and endorsement. The following policies have been reviewed and confirmed by the General Assembly's Law Offices.

1. The Presbyterian Church (New South Wales) Property Trust Act 1936 ("NSWPT Act") legislates that all title to property of PCNSW is at all times the property of the Presbyterian Church (New South Wales) Property Trust ("NSWPT").
2. The Presbyterian Church Trust Property Act 1971 (ACT) ("ACTPT Act") legislates that all title to property of PCACT is at all times the property of the Presbyterian Church (Australian Capital Territory) Property Trust ("ACTPT").
3. The Presbyterian Church (Northern Territory) Property Trust Act 2000 ("NTPT Act") legislates that all title to property of PCNT is at all times the property of the Presbyterian Church (Northern Territory) Property Trust ("NTPT").
4. Under general trust law property includes land and buildings and the assets of any activities, including schools and aged care, that may operate on land, and all funds including cash and other funds held in the name of an Assembly committee or congregation. Trust law empowers and creates duties on trustees in respect of such property and activities conducted on or with such property.
5. Trust funds include the bank accounts of congregations, which the congregational Committee of Management is delegated Trustee authority to operate (The Code Part III Trustee Regulations in Part C2.3).
6. The Trustees comprising the governing membership of each of NSWPT, ACTPT and NTPT are the NSWPT Trustees.
7. GA2006 established regulations for the Trustee Investment Fund (The Code, Part III C2.12), including the blending of funds, provision of a buffer reserve against fluctuations in the market and, after providing for the buffer reserve, the rate of distribution on blended funds ("the Rate"), requested return of invested funds and payment of fees and expenses, making surplus invested funds "available for such purposes as the Trustees may determine from time to time." (C2.12.07 to C2.12.10).
8. The blending of funds into the Trustee Investment Fund includes those of PCNSW, PCACT and PCNT. NSWPT Act section 21B expressly authorises such blending of PCNSW funds.
9. The Trustees affirm that funds generated from the TIF above the TIF Rate and after providing for the Buffer Reserve, requested return of invested funds and payment of fees and expenses, will be made available for general ministry purposes (at the discretion of the Trustees).
10. The TIF is actively managed to ensure that combined Mercer cash income and Kirk Place, Kogarah net rental income (i.e., cash income generated from the TIF's aggregated investment portfolio) covers at a minimum the Rate.
11. The Trustees have historically required all Assembly committee and congregational funds to be invested in the TIF, with a share of the investment return supporting the operating costs of the General Office (through the service fee paid to the Trustee General Fund).
12. This continues to be the policy of the Trustees.
13. Other than Assembly committees, institutions and congregations operating a local bank account for the purpose of funding day-to-day operations, all funds as a matter of Trust Policy are required to be invested in the Trustee Investment Fund or the

Presbyterian Foundation unless otherwise approved by the Trustees on request from the Assembly committee, institution, or congregation.

14. This policy applies to Australian Capital Territory and Northern Territory Property Trust property and funds as part of the blended funds of the Trustee Investment Fund.
15. The Trustees have historically sought to maximise the return available to fund the Buffer Reserve (after ensuring the operating costs of General Office at 168-180 Chalmers Street, Surry Hills which is an asset of the TIF, have been covered). This also continues to be the ongoing objective of the Trustees.
16. These objectives and explanations are outlined in each year's Trustee Report to the General Assembly, and are outlined in the following table:

Components of the Trustee Investment Fund (TIF) Rate Formulation

BT/Mercer Cash Income + Kirk Place Net Rental Inc. +/- BT/Mercer Capital Gain/Loss	TIF deposits are invested in a combination of BT/Mercer managed funds, investment in Kirk Place Kogarah, and ownership of Church Offices at Levels 1 and 2, 168 Chalmers Street, Surry Hills.
Less TIF Service Fee 0.9% (on the value of assets held in the TIF)	Paid to the Trustee General Fund to contribute to the costs of operating the General Office.
Less costs of maintaining 168 Chalmers Street, Surry Hills (Church Office)	All committees of the General Assembly in NSW (including ACT and NT) and the General Assembly of Australia (GAA) are welcome to use Church Offices at no cost. This includes any Commissions of the General Assembly and all committees of the General Assembly of Australia and NSW (including ACT and NT). However, this means that no rental income is received by the TIF for its investment in Chalmers Street (Level 1), with the building maintenance costs recovered through an adjustment in the TIF Interest Rate paid on all deposits.
Less TIF Interest Rate	Paid to depositors (3.5% effective 1 May 2024) on deposits up to $5.0m. These funds are available at call*. For deposits above $5.0m, the Trustees shall, after considering a request from the Assembly committee, institution or congregation pay a premium interest rate of up to 0.5% above the published TIF Rate on the funds invested above $5.0m, subject to these funds not being at call but requiring six months' notice of withdrawal. Earlier withdrawals are possible but will result in an interest adjustment equal to the interest that accrues on the amount to be withdrawn during the period for which notice is not provided.
Equals: Buffer Reserve + Surplus for General Ministry Purposes	As reported to every General Assembly since 2008, the Trustees have diligently recovered the loss in capital value of the TIF during the Global Financial Crisis (GFC) without having to apply a rateable loss on any deposit. The Buffer Reserve is not quantified. The Code, C2.12.07 stipulates 'provision for an appropriate level of funds to be set aside, to support the Rate and to assist the smoothing out of market fluctuations.'

* Withdrawals under $500k requested before 10am, are usually available later the same day (and no later than the next business day). Withdrawals of more than $500k may take up to three business days to be paid to the depositor.

17. In effect, through investment in the TIF, all congregational and Assembly committee funds contribute to the operating costs of the General Office and to the ministry objectives of the Church as a whole.
18. While paying a market comparable interest rate for funds invested at call, this approach by the Trustees has avoided the need to charge congregations an Office Service Charge to recover the cost of operations of the General Office and funded the Church's investment in Church Offices.

Appendix 1.A – Definitions of Trust Funds and Variations in Capital Funds

The various forms of congregational and committee funds are summarised in the following table and are separately accounted for and reported in the general ledger of the Trustee Investment Fund. All categories of capital are interest bearing.

#	Capital Categories	Description /examples	Classification
1	Specific capital	Specific purpose bequests (e.g. bequest left to a church for the upgrade of AV equipment)	Restricted to specified use
		Specific purpose donations (e.g. donation to Presbyterian Inland Mission for the development of Snowy Mountain Patrol)	Restricted to specified use
		Specific use assets (e.g. S10 proceeds allocated to Parish Development Fund to apply to church planting in a regional community)	Restricted to specified use
2	Specific capital accumulation	Undrawn accumulated interest on Specific capital (1) above	Restricted to specified use (follows the specific capital)
3	Ordinary capital	Proceeds from sale of capital assets, business assets or a business (e.g. sale of manse, or sale of a ministry activity such as a pre-school or aged-care residential facility, aged-care home service or retirement village beneficially owned by a congregation or Assembly committee)	Restricted to capital use or as varied by s10 Assembly approval.
4	Ordinary capital accumulation	Undrawn accumulated interest on Ordinary capital (3) and General capital (5).	Generally unrestricted
5	General capital (Direct deposits)	Unrestricted funds arising from congregational and Assembly committee surplus reserves.	Unrestricted

Further explanation of these funds and their availability to support churches and committees of the General Assembly (other than schools) follows:

1. Specific Capital and Specific Capital Accumulation (Specific Purpose) funds are held directly by the Trustees for purposes that are usually clearly defined (as in the case of a Will). Use of income (interest) derived from these funds has the same purpose attaching to the original capital. Trustees have a statutory and general law duty to ensure the capital (and income) is used according to the specific nature of the trust.

2. Ordinary Capital and Ordinary Capital Accumulation (General Purpose) funds are funds held by the Trustees on behalf of specific trusts, committees or congregations, that arise from the sale of property or other capital assets, or from receipt of bequests that provide for the use of funds for the general purposes of a specifically named beneficiary.

The policy stated by the General Assembly is that capital funds held for no Specific Purpose should generally be applied to expenditure of a capital nature and not be expended on the day-to-day running costs of a congregation or committee (BB1978 Minute 61(6) - “Confirm that as a general rule capital funds should be applied towards work of a capital nature and not expended on maintenance or on operating costs.”

Capital funds are usually released in accordance with this policy for asset acquisition, improvement or strategic capital projects (buildings and property) consistent with the development of local ministry. While the Trustees are able to vary this if strong reasons are available, this policy has resulted in the general practice over the years to retain the corpus of such monies as preserved capital unless there are strong reasons to the contrary, reflecting the need to be responsible Trustees.

3. General Capital (Direct Deposits) and Accumulation held in the name of the depositor with no capital-use limitations. These are unrestricted funds of a congregation or Assembly committee, generally arising from surplus reserves and can be withdrawn to fund operational expenditure.

An exception to the treatment of specific and ordinary trust funds is that which applies to bequests below $10,000, which are paid directly to the committee or congregational committee of management named in the Will, with the committee required to use the funds in accordance with the terms of the Will.

Variations to Ordinary Capital and Ordinary Capital Accumulation (General Purpose) trust funds

From time to time the Trustees receive requests from Assembly committees and congregational committees of management for the release of capital funds held for general purposes to be applied to week-to-week expenditure e.g. to pay for pastoral or ministry costs.

In other words, can non-specific capital be used to contribute to the general running costs of a congregation or committee? The answer is usually "no". However, can the income (interest) from non-specific capital be used for these purposes? The answer is generally "yes".

The practice of the Trustees has been to release income (interest) generated from capital held for general purposes (retained in Ordinary Capital Accumulation) to help fund operating expenditure. An allocation of a portion of income earned to maintain the original purchasing power of the capital (to cover inflation) may be a consideration over time.

A number of congregations are now reliant on investment income to augment the giving of members to fully fund their spending budgets. Depending on the amount of the original capital and the proportion of income being applied for this purpose it can mean that eventually the value of the capital and thus the income will be devalued beyond any significant usefulness. For this reason, the Trustees encourage congregations and committees to allow some interest to be retained in their accumulation account in order for the funds to "grow" (rather than contract) over time so that future generations may also benefit from the funds.

There are a few congregations that are operating at a deficit and wish to apply capital funds to make up the shortfall. In most cases there does not appear to be a reasonable expectation that income will be able to cover expenditure in the foreseeable future without a significant reduction in outgoings. There is usually a part-time or full-time pastor in the parish in these instances. If the capital funds were to be used in such a manner it can be expected that the funds of the congregation will eventually be fully depleted.

Difficulty will sometimes arise when considering whether proposed expenditure will have an effect of improving capital assets (i.e. Capital expenditure), or whether the expenditure would be classified as "repairs and maintenance" which should be budgeted-for as part of the Committee of Management's stewardship of working capital. (A table is appended to this document (Appendix B) which outlines some common items of property expenditure and classifies them as Capital or Maintenance items.)

The argument has been advanced in the case of bequests left for General Purposes, that it may well have been the intention of the testator that the funds be applied to the operating costs of the congregation.

There may be some validity to this argument. However, those responsible at law

(Trustees) to supervise capital and to ensure that it is not inappropriately “lost” or depleted require some substantiation of the testator’s intention. In such circumstances it would not necessarily be irresponsible for Trustees to approve the utilising of general-purpose bequest capital for these purposes (e.g. stipend support).

The issue to be considered is the desirability or wisdom of depleting the accumulated funds of a congregation to maintain ministry and pastoral support when the congregation is no longer financially viable and with no realistic prospect of returning to financial sustainability.

Relevant considerations and tensions needing to be weighed wisely include:

(a) the rights of members who may have contributed to the funds still in hand, and the Church’s responsibility of care to its members, many of whom have been active in support over many years;

(b) the appropriate use of the funds of the Church, and funding for growth and church planting; and

(c) the duty of the Trustees to preserve and protect the assets of the Church.

Appendix 1.B - Common Capital and Maintenance Expenditure Items

A table of common property expenditure items has been prepared based on congregations' regular requirements and expenditure. The below list is not exhaustive, and discretion may be applied by the General Office on application from the congregation or committee to the Chief Financial Officer.

Capital Expenses (capital funds may be applied)	**Maintenance Expenses (funded from operating income)**
Property (land & building) acquisitions.	Property insurance.
Legal and professional fees for advice in relation to capital projects.	Utilities and other building running costs.
Building improvements (e.g. demolition, extensions and/or room upgrades incl. kitchen and bathrooms).	Painting (internal and external) and purchase of appliances (e.g. washing machine, dryer, fridge, oven) other than as part of building improvements.
Roof upgrade/ replacement.	Roof repairs.
Flooring upgrade (e.g. new wooden/hybrid flooring).	Carpet cleaning, carpet replacement, floor sanding and polishing.
Air conditioning units, heating or solar (including solar batteries).	Portable fans, heaters.
IT and Audio-Visual equipment with enduring (multi-year) benefit.	Peripherals and IT operating costs (e.g. licencing, subscriptions, website maintenance).
Church furniture (e.g. pulpits, pews and seating).	Equipment purchases used to support repairs and maintenance (e.g. a ladder, vacuum cleaner, lawn mower, garden tools).
	Stipend, wages and honoraria.

Notes:

1. If works are required which relate to safety threats or WHS issues, the General Office on behalf of the Trustees may allow for the use of Capital funds to secure the property and/or resolve the risk.
2. In the event a property is sold, unpaid insurance premiums may be recovered by the General Office from the proceeds on sale.
3. Capital funds can be accessed for qualifying expenditure via the General Office facilitating direct payment(s) of invoicing, or through the transfer of funds to a local bank account as a reimbursement of expenditure. It is noted for the latter, that a reimbursement can be applied for up to 12 months post capital expenditure, unless otherwise approved by the Trustees.