

RULES OF THE UNITING CHURCH IN AUSTRALIA SYNOD OF VICTORIA

MINISTERS' HOME ENDOWMENT FUND ('the Fund')

1. Purpose

The purposes of the Fund are:

- (a) to provide benefits to members at retirement; and
- (b) to assist Members in financing the purchase of a residential property for retirement.

2. Corporate Structure

The Uniting Church in Australia Property Trust (Victoria) and The Uniting Church in Australia Property Trust (Tasmania) are the Trustees of the Fund. The Fund is not a separate legal entity. There is no Trust Deed or any other legal instrument governing the Fund other than these rules.

Any amendments to the Rules and the Investment Strategy will be referred to the National Assembly.

The National Assembly is a body (including its determining authority the Assembly Standing Committee), as defined under Clause 38 of The Uniting Church Constitution, which has determining responsibility in matters of doctrine, worship, government and discipline, including the promotion of the Church's mission.

3. Definitions

"Fund" means the Uniting Church in Australia Synod of Victoria Ministers Home Endowment Fund, established by the Church in 1977.

"Church" means the Uniting Church in Australia.

"National Assembly" means the National Assembly of the Uniting Church in Australia.

"Fund Administrator" means the Administrator appointed in accordance with Rule 56.

"Member" means a Minister, Pastor, ~~Lay Pastor, or Accredited Youth Worker,~~ who has a balance in the Fund.

"Minister" means a Minister of the Word, Deacon, or Deaconess, ordained in the Uniting Church of Australia.

"Member Account" means an account in the Fund on behalf of a Member to which contributions and earnings are credited, and from which payments are made by way of an Interest Free Advance.

"Interest Free Advance" means a payment from the after tax balance in a Member account, which reduces the amount payable to the Member on retirement, death, or resignation (i.e. it is a payment in advance).

"Reserve Account" means the account established under rule 14.

4. Taxation Status (Division 50 – 5)

The income of the Fund is exempt under Division 50 – 5 of the Income Tax Assessment Act 1997.

This exemption is held by the Synod of Victoria, on behalf of the Fund.

- During the period of Membership of the Fund, no income tax will be paid on contributions or earnings.
- On retirement or resignation, Member Contributions will not be taxed because they have been paid from after tax income.
- On retirement or resignation, Pre-tax Employer Contributions and Earnings on Contributions will be taxed.
- On death in active service, Pre-tax Employer Contributions and Earnings on Contributions will not be taxed.

When a Member takes an interest free advance against their retirement benefits, tax at the appropriate rates will be withheld.

5. National Assembly

- (a) The responsibilities of the National Assembly shall include:
- (i) Appointment of the Fund Administrator.
 - (ii) Approval of amendments to the Fund Rules. An amendment cannot result in the accrued benefits of a Member (as they stand at the time of the amendment) being reduced.

6. Fund Administrator

- (a) The responsibilities of the Fund Administrator will include
- (i) Day to day administration of the Fund.
 - (ii) Receipt of contributions from Members.
 - (iii) Granting of exemptions from contributing to the Fund, on evidence of home ownership.
 - (iv) Processing of new entrants to the Fund.
 - (v) The payment of expenses incurred in the proper management of the Fund.
 - (vi) The determination of an earning rate for the Fund and the formulation of an equitable distribution of income of the Fund between Member Accounts and the Reserve Account.
 - (vii) The payment of the balance after tax in a Member Account, in the event of retirement, death, or resignation.
 - (viii) Maintenance of a tax provision for tax withheld from Member Accounts, for payment on retirement or resignation.
 - (ix) Payments from Member Accounts (including Interest Free Advances).

- (x) Granting and administering Mortgage Loans to Members.
- (xi) Provision of an annual benefit statement, showing the breakdown of the Members' Current Balances as at 30 June. This statement will be accompanied by a report on the performance of the Fund as at 30 June.
- (xii) Making recommendations to the National Assembly on policy issues including changes to rules.

7. Annual Accounts

The Fund accounts will be audited by the Fund Administrator's external auditors, and will be signed off by the Fund Administrator's Audit & Compliance Committee.

8. Membership

Membership of the Fund will be compulsory for Ministers based within the Synods of Victoria and Tasmania ~~and~~, South Australia ~~and New South Wales and the ACT~~, unless an exemption is granted on evidence of home ownership.

Membership will be optional for Ministers based within the Synods of ~~the New South Wales, ACT,~~ Northern Synod, Western Australia and Queensland, as well as Pastors, ~~accredited Youth Workers, and Lay Pastors.~~

Ministers who have been paid their Members Account Balance on resignation or retirement are not eligible to rejoin the Fund at a later date.

9. Contributions

- (a) There are two types of monthly contributions; Church Contributions, which are paid pre-tax from Members' Stipends/Salaries or Fringe Benefits accounts, and Member Contributions, which are paid after-tax from Member's personal savings.
- (b) The monthly contribution rate will be set at the beginning of each calendar year. It will be 4% of Notional Stipend. Where a Member is not in a full-time placement, a pro-rata contribution will be made.
- (c) All contributions will be forwarded to the Fund Administrator on a monthly basis, via direct credit or cheque.
- (d) Members need not have contributions made on their behalf, under the following circumstances:
 - (i) where they are without settlement/employment;
 - (ii) where they have applied for exemption, because they have purchased a retirement property, or
 - (iii) where they have received approval from the Fund Administrator for another reason, such as financial hardship.
- (e) Members may not make Member Contributions to the Fund, which are deemed to be excessive in the opinion of the Fund Administrator.
- (f) Any contributions received on behalf of a Member, will be credited to their Member account.

10. Investments

The net assets of the Fund, less Mortgage Loans to Members, will be invested in the UCA Funds Management Enhanced Cash Portfolio.

11. Liquidity

The cash balance held with UCA Funds Management should never fall below 10% of the net assets of the Fund, or \$500,000, whichever is the greater.

In the unlikely event of the cash balance held with UCA Funds Management being in deficit, the following will apply:

Withdrawals on retirement, resignation, and death, and withdrawals for Interest Free Advances, will be suspended until the cash balance is in surplus. At this point in time, funds will be released in order of priority.

12. Management Fee

The Fund will be charged a Management fee of .75% of Member Balances and will be reviewed every three years.

13. Income

The net income of the Fund available for distribution to Members, will be credited (or debited) to Member accounts, annually as at 30 June.

14. Reserve Account

The Fund will maintain a Reserve Account, which contains income of the fund not allocated to Member accounts.

15. Payout of Member Account Balance

The Fund will pay out the Member's Account Balance, under the following circumstances:

- a. On retirement from active service with the Church;
- b. On death, where payment shall be made to the spouse of the Member, the legal representatives of the Member, or at the discretion of the Fund Administrator, to any other dependents or the next of kin.

c. On resignation from the Church.

e.d. For the purposes of the Australian Prudential Regulation Authority (APRA) Banking exemption No.1 of 2016, where the above process meets the requirements for hardship, the Fund will release funds without requiring a 31 day notice period.

16. Payments from Member Accounts (Interest Free Advances)

The Fund may make payments from Member Accounts (Interest Free Advances) to assist with the following:

- (a) the purchase of residential property (ie deposit, settlement or progress payments where building);
- (b) mortgage loan reductions; and
- (c) capital improvements to residential property.

17. Capital Improvements

The criteria for determining what constitutes a capital improvement include:

- (a) Improvements to the original condition of the property rather than maintaining the original condition, such as:
 - (i) A new kitchen
 - (ii) A new bathroom
 - (iii) Replacing carpet with polished boards
 - (iv) Built in wardrobes or bookshelves
- (b) A visual improvement, which will increase the drive past capital value, such as:
 - (i) External painting
 - (ii) Addition of rooms
 - (iii) Garage
 - (v) Pergola
 - (vi) Garden shed
 - (vii) New fence
 - (viii) Patio
 - (ix) Re-roofing
 - (x) Landscaping

18. Mortgage Loans to Members

The Fund may make Mortgage Loans to Members to assist with:

- (a) the purchase of an existing residential property for retirement purposes;
- (b) the building of a residential property for retirement purposes;
- (c) the purchase of a block of land with the intention of building a residential property at a later time; and
- (d) capital improvements to a residential property, which has been purchased for retirement purposes.

The terms and conditions of the Mortgage Loans are as follows:

- (a) The maximum loan will be \$120,000 or 75% of the property value, whichever is the lower.
- (b) Maximum repayments will be 25% of gross income of the Member and partner (if applicable).
- (c) The maximum term will be 25 years, with repayment in full on death in service, retirement or resignation.
- (d) Where the loan term is likely to extend beyond a Member's anticipated retirement age, the Member will need to advise the means by which the loan will be paid out at retirement.
- (e) If the amount borrowed is less than the maximum loan of \$120,000, the balance of the loan limit can be applied for at a later date.
- (f) Once the maximum loan amount has been drawn down, there can be no further applications at a later date, such as requests for mortgage redraws.

- (g) The base interest rate is variable and is calculated as the Forecast UCA Cash Portfolio Distribution Rate plus 0.55% for management costs. Ministers based in Victoria and Tasmania, will receive an interest subsidy of 1% from the Synod of Victoria & Tasmania.
- (h) There will be no loan fees, but the Member will be responsible for paying stamp duty (Transfer of Land), legal fees and lodgment fees (Transfer of Land & Mortgage).
- (i) The Fund will always hold the 1st mortgage on the security property.
- (j) There will be a 12 month qualifying period before Members will be eligible to apply for a mortgage loan.
- (k) Interns will not be eligible to apply for a mortgage loan until they are ordained.
- (l) Mortgage loans will not be available for the refinancing of existing loans held with other loan providers.
- (m) Mortgage loans will not be available if the liquidity measure in Rule 11 is not satisfied.

19. Winding up of Fund

In the event of the winding up of the Fund, all entitlements will be returned to Members after remittance of applicable tax payments to the Australian Taxation Office. Alternative arrangements may be made in relation to the ongoing administration of any Fund Mortgage Loans.

| Last Updated ~~2-x January November 2016~~4