



Education Benevolent Society Incorporated

2020 Annual and Performance Reports including Financial Statements

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The Education Benevolent Society Incorporated

Annual General Meeting

28th October 2020

Agenda

Welcome and apologies

The business of the Annual General Meeting will be to:

- a) Confirm the minutes of the 2019 AGM
- b) Receive the Chairman and Chief Executive's Report
- c) Receive and approve the 2020 Performance Report including Financial Statements.
- d) Appoint EBS's Auditors for the 2020 - 2021 financial year.
- e) Confirm the Board for the 2020 - 2021 financial year.
 - Erin Polaczuk the PSA's Member Board Member's current three-year term expires 30th October 2020. The PSA has supported her re-election to the Board.
- f) Conduct General Business

Full papers will be issued prior to commencement of the meeting

Please join the Board and staff for refreshments after the meeting.

Education Benevolent Society Incorporated

Statement of Corporate Governance

The Constitution is the foundation of the Society, which is registered, under the Incorporated Societies Act 1908 and with Charities Services. The Society adheres to frameworks, processes and policies designed to ensure good governance in all of its operations, including, but not limited to, the provisions and requirements under the Incorporated Societies Act 1908, the Charities Act 2005, and consumer related regulations.

The Board - Appointment and Tenure

The Society is governed by a Board of six Directors all appointed by the Member Union owners. The Board consists of four Member Board Members appointed to represent the four largest Member Unions and two Independent Board Members. Board Members are appointed for a maximum term of three years. The role of the Board as stated in the Constitution is the “governance and management of the Society.”

Governance Framework

External

The Society continues to be an Incorporated Society and, on the 4th October 2019 Charities Services NZ confirmed registration of the Society as a charitable entity. This registration has returned the Society to a tax-exempt entity. Registration with Charities Services has introduced the Society to new regulatory requirements and restrictions. The Society continues to be subject to a range of regulatory acts, government bodies and industry codes. These include the Incorporated Societies Act 1908, the Charities Act 2005, the Financial Reporting Act 2013, the Privacy Act 1993 and other regulations and codes specific to our industry.

Internal

The Society operationalises its governance via the “Risk Management Framework, Processes and Policies.” The policies are reviewed on a scheduled basis to ensure that they are fit for purpose and, where required, are amended and updated via the appropriate governance processes.

Board Meetings

The Board meets every two months subject to requirements. Due to COVID 19 the dates for Board meeting have been subject to some change and the Board has used Zoom meeting when needed. The Board holds an annual planning meeting in February to agree on the strategic priorities and identify significant opportunities and threats in the short to medium term.

The Board's focus during this year was on the successful establishment of the Charitable Grant and Insurance Marketing businesses. This transformation is now complete with the successful launch of the Charitable Grants business and the establishment of a modern inbound Insurance Marketing business.

Sub Committees of Board

The Board runs 3 Sub- Committees namely the Audit Risk and Investment Sub-Committee, the Remuneration Sub-Committee and the newly formed Charitable Grants Committee.

Audit Risk and Investment Sub-Committee (ARIC)

The objectives of ARIC are to provide assistance and advise to the Board on financial accounting and reporting, internal and external audit, the Society's risk control and compliance framework and developing, monitoring and reporting on the investment policy.

Remuneration Sub-Committee (Rem Committee)

The objectives of the Rem Sub-Committee are to assist the Board in fulfilling its responsibilities relating to employment conditions and remuneration issues; to establish and overview the Society's employment and industrial relations policy and direction, to ensure that the Society's policies related to salary or wage negotiations, are appropriate, and to ensure that the Society's organisational structure supports the provision of effective and efficient business outcomes.

Charitable Grants Sub-Committee (Grants Committee)

The objective of the Grants Committee is to apply and distribute the funds allocated for the advancement of the Society's educational purposes. The Grants Committee consists of 7 members, one appointed by each of the 6 Union owners, and the Board Chair. This committee has played a significant part in the successful launch of the 'Grants for Good' program.

Board Member names, duties, representing and attendance

Financial Year Ended 30th June 2020

Name of Board Member	Title/ Duties	Union	Board Meetings	AGM	Board Planning Day	ARIC	Rem Committee	Grants Committee
Ross Wilson (resigned October 2019)	Independent Board Member - Board Chair	n/a	2	1	n/a	1	1	n/a
Linda Sissons (appointed to Board July 2019)	Independent Board Member – Board Chair (appointed October 2019)	n/a	7	1	1	1	2	1
Darrell Ward	Member Board Member - Deputy Chair Chair Rem Committee	NZEI	9	1	1	2	3	1
Erin Polaczuk	Member Board Member	PSA	6	1	0	0	n/a	1
Samantha Stephen	Member Board Member	TEU	8	1	1	n/a	3	1
Allan Vester	Member Board Member	PPTA	8	1	1	n/a	3	1
Daniel Mussett (appointed to Board October 2019)	Independent Board Member - Chair ARIC (appointed October 2019)	n/a	7	Guest	1	1	n/a	1

Board Member Profiles

Linda Sissons – Board Chair (appointed October 2019) - Independent Board Member (appointed July 2019)



Linda joined the Board as an Independent Board Member in July 2019. Linda brings to the Board significant Governance experience and a large network within the Education sector.

Linda has been involved in management and governance roles with a learning flavour, for most of her career. Linda is currently Acting CE of UCOL, and previously was CE of the Primary ITO and the Wellington Institute of Technology.

Her Governance roles include currently being a Board member of Education New Zealand, and recent roles include being Chair of the Board of Governors of the Commonwealth of Learning, one of only two pan-Commonwealth organisations, dedicated to furthering economic and social development through technology-enabled education.

Ross Wilson – Board Chair – Independent Board Member (resigned October 2019)



Ross Wilson is a former President of the NZ Council of Trades Unions. He has governance experience which includes Chair of the ACC

and WorkSafe NZ, and as director of Port of Wellington, KiwiRail, NZ Railways Corporation, and the Cooperative Bank of New Zealand. He is a lawyer with a strong interest in employment and workplace health and safety law and practice.

Ross is also Chair of the Unions Aotearoa International Development Trust (UnionAID) and spends a lot of voluntary time on international development work in the Asia Pacific Region.

Ross is of Scottish and Ngāi Tahu descent.

Darrell Ward – Member Board Member, Deputy Chair, Chair Remuneration Sub-Committee and a Member of Audit Risk and Investment Sub-Committee - Representing NZEI



Darrell worked as a teacher and principal in various Southland schools from 1971 until 2002. He became an EBS subscriber as a trainee teacher in 1968. Darrell was an elected member of NZEI's National Executive from 1990 until 2002. This included the role of National President and director of Education House Ltd. From 2002 until his retirement in 2012 he was employed by NZEI Te Riu Roa as Assistant Secretary at the National Office.

In 2015 he was awarded Life Membership of NZEI Te Riu Roa.

Darrell has been a member of the Board since

2011. Darrell brings to the board significant education union knowledge, leadership experience and a broad union network.

Samantha Stephen – Member Board Member – and member of the Remuneration Sub-Committee - Representing TEU



Samantha Stephen oversees the support operations of the Tertiary Education Union Te Hautu Kahurangi o Aotearoa, managing a team essential to the smooth running of the organisation. After graduating with a Bachelor of Social Sciences from the University of Waikato,

Samantha spent several years working in a community-based role for a non-profit organisation that offered preventative and rehabilitative support to offenders and their whanāu.

Samantha went on to work in events management where for nine years she was part of a team responsible for organising an annual event attended by over 45,000 New Zealanders.

Samantha is an accomplished people manager and brings to the board a detail-oriented, problem-solving approach.

Erin Polaczuk –Member Board Member, and member of Audit, Risk and Investment Sub-Committee - Representing New Zealand Public Service Association Te Pūkenga Here Tikanga Mahi



Erin joined the PSA's secretariat in 2014 after working at the Post Primary Teachers' Association as Deputy General Secretary and she

has held roles in organising and advocacy, policy, education, governance and management within the union movement. Erin believes unions are the most effective vehicle for progressive change and social justice in society.

Erin is currently involved in progressing the PSA's strategic goals, including its campaign on pay and employment equity- 'Worth 100%' and her union has a particular focus on the health, community and public sectors. The PSA now has over 67,000 members and 40% of recent recruits to the union are under the age of 35.

Erin is an experienced leader and brings to the Society a wealth of experience in using digital marketing and social media to attract new members.

**Allan Vester – Member Board Member
and member of the Remuneration Sub-
Committee – Representing PPTA**



Allan Vester recently retired as being Principal of Edgewater College a role that he held for 23 years.

Allan continues to be a strong supporter of the PPTA and has been a member of EBS now HealthCarePlus since 2000. Allan believes that HealthCarePlus provides the members of PPTA with a very valuable service.

By being on the Board, Allan sees the opportunity to contribute to ensuring that the work that HealthCarePlus does, and the benefit that work confers on members is maximised. The Board does this by ensuring effective corporate governance and by ensuring we operate in a professional yet cost effective way.

**Daniel Mussett – Independent Board
Member (appointed October 2019) Chair of
Audit Risk and Investment Sub-Committee**



Daniel joined the Board in October 2019 as an Independent Board member. He brings significant local and international

investment expertise that will be invaluable for the Society as a Charitable organisation. I guide investors on their journey to meeting their objectives with specific reference to meeting obligations and managing risks. This involves ensuring that good governance structures and fit-for-purpose policies are in place.

I have served a very diverse range of investors in the private, public and philanthropic sectors, including not-for-profit entities, Crown Financial Institutions, superannuation schemes and KiwiSaver providers. Partnering with you to achieve financial success is my passion.

Report from the Chair and Chief Executive

Governance

The Year

This report covers the financial year to 30 June 2020 and refers to events up until this annual meeting.

On behalf of the Board I would like to welcome the Union Delegates and other guests to this the 31st AGM of the Education Benevolence Society Incorporated. Firstly I would like to acknowledge my predecessor Ross Wilson for the commitment, and leadership that he provided the Society over the 5 years that he was the Chair of Education Benevolent Society Incorporated. The Society has undergone a major transformation and is now well positioned for the future.

The new business model generates revenue from two sources namely investment returns from the Fund, and insurance commissions. The Society has limited ability to directly impact the annual investment returns from the Fund. The Society is however committed to increase the commission income by increasing the sales of Hospital and other commission bearing Insurance products. This commission is used to fund the Society's expenses including managing the Charitable Grants, and any surplus will automatically increase the value of the Fund. Overtime if the growth in the Fund is sufficient, it will enable the Society to increase the value of Charitable Education Grants that the Society can distribute. It is therefore important that the Union Owners, their staff, and Members embrace the Society's business model and support the sale of HealthCarePlus's range of insurance products and services.

The financial year started with the focus on obtaining Charitable Status to replace the tax exemption that was lost when EBS no longer qualified as a SAD Fund. Due to the tax losses, no tax was payable for the period from 1 January 2019 until registration was received from Charities Services on 4th October 2019.

The creation of the Grants business required the establishment of a new Board Sub-Committee the Charitable Grants Committee, the development of the full range of policies, processes and procedures, and the implementation of a new grants management system. Most of this activity was completed under COVID 19 restrictions. I am pleased to advise that the 2020 round of the 'Grants for Good' program is now well advanced and at today's Board Meeting, the Board endorsed the recommendations of the Charitable Grants Committee and within the next week successful applicants will be notified.

I would like to thank the Union Owners for their commitment and support for the 'Grants for Good' program. The quality of the Union's appointments to the Charitable Grants Committee is to be commended, I would like to formally recognise the Union appointed Grants Committee Member's namely; Janet Quigley Committee Chair - PSA, Janice Shramka - NZEI, Bronwyn Cross - PPTA, Sharn Riggs - TEU, Shelley Wier - TIASA, and Matthew Fitzsimon - isea. The Union's support for the program is evident in the high quality and the number of applications that were received in this the first year of the 'Grants for Good' program. We received total of 83 completed applications including 25 that were received for the Categories 2 and 3, Group Grants, and 58 that were received for the Categories 1a, 1b and 1c, Individual Grants.

The event of COVID-19 has had a significant impact on sales of health insurance. To date the impact on the retention of existing members is limited and retention of clients and commission is significantly better than was originally predicted. Industry feedback is the global financial situation is making families very cautious about committing to the purchase of new health and other financial services products. This cautious approach to the acquisition of new financial services products is expected to continue well into calendar year 2021.

I would like to commend UniMed on their response to COVID 19. They introduced a market leading response to support our mutual Members during times of financial hardship, and they continue to monitor and provide financial support as and when needed. In addition, Canstar has recently named UniMed *"New Zealand's Best Health Insurer"*. This 'benevolent' approach in response to a global crisis and being recognised as the market leader for customer service once again supports the Board's decision to partner with UniMed.

The change in business model required a review of the Fund's Strategic Asset Allocation (SAA) and fund manager. This review resulted in a change of fund manager and the invested Fund was moved in February from Mint to Mercer New Zealand. After an initial negative impact on the fund value due to COVID 19 the Fund has now regained the previous losses and is in a net positive position.

During 2019-2020 the relationship with the Unions has continued to grow. There have been several very successful marketing campaigns executed especially with the PSA and the NZEI. The uneven degree of marketing support from all of the Unions owners is however concerning as the level marketing support will impact on the financial results of the Society, and over time this will impact on the amount that will be available for Charitable Education Grants. So, a double disadvantage for members as they will not be as aware as they could be of the advantages of belonging to HealthCarePlus, and there will be less money available for grants they might take advantage of.

When we established this new business model, we agreed that we would endeavour to keep the team small and agile in nature. We have achieved this with a team consisting of 2 marketing specialists, and the Chief Executive. As HealthCarePlus members, you would have seen the significant improvement that they have made to our marketing tools and resources. During the COVID 19 lockdown the team worked from home and not only maintained the momentum but also created new tools to pivot the business to a new technology-based environment. I would like to thank Helen who once again joined the team and has played an important role in the successful establishment of the 'Grants for Good' program.

Finally, I wish to acknowledge the commitment and hard work of John our CE. This unprecedented year has called on John's extensive strategic business skills and his global networking experience at every turn. The Board and staff have appreciated John's steady hand on the tiller of our small but innovative organization.

So, in just over 24 months the Society has transformed itself from a primary care health insurer into a modern insurance marketing business and has commenced the first round of the 'Grants for Good program'. This major business transformation is now completed, and the Society now needs to focus on growth.

Highlights for the year include:

- Obtained Charitable Status from Charities Services
- Created a modern inbound marketing entity staffed with highly skilled marketing professionals
- Maintained a productive and proactive working relationship with UniMed
- Introduced a new Travel Insurance plan as the first revenue generating non-health insurance product
- Refreshed all marketing collateral and rebuilt the website and online application
- Commenced repositioning the Society as the Union Owners '*Health and Wellbeing Partner*'
- Managed the impact of COVID 19 with limited impact on the Society, its Members, and staff
- Managed changes to both the Board and staff with the appointment of new skills and experience that meet the needs of the new business model.

Board Activities - Year Ended 30 June 2020

The start of 2019-20 financial year saw some change to the Board. Linda Sissons was appointed to the Board as an Independent Board Member in July 2019. Ross Wilson, the Chair, resigned at last year's AGM and Linda Sissons was appointed Chair. Linda brings to the Board significant Governance experience and a large network within the Education sector.

Daniel Mussett joined the Board at the 2019 AGM as an Independent Board Member. Daniel is a qualified actuary that specialises in investment management. Daniel brings significant local and international investment expertise that will be invaluable for the Society as a Charitable organisation.

COVID 19 impacted on the meetings of both the Board and the Board Sub-Committees. In response to COVID 19 the Board used Zoom and retained the scheduled meetings and when needed, added ad-hoc meetings to address any more pressing issues.

The establishment of the grants program necessitated the establishment of a new Board Sub-Committee the Charitable Grants Committee. The Union Owners each appointed a Committee Member, and the Board Chair is also a committee member. The Board appointed Janet Quigley from the PSA as Chair of this Sub-Committee. The Chair and the Members should be commended for the diligent way in which they executed their duties.

Audit, Risk and Investment Sub-Committee (ARIC) is Chaired by Daniel Mussett and the Remuneration Sub-Committee is Chaired by Darrell Ward. ARIC has been working on the Risk management framework including a focus on the risk heatmap as it relates to the new business model. The terms of reference for the Rem Committee has now been expanded and on behalf of the Board, the Rem Committee has oversight over the Charitable Grants Committee.

The Way Forward

The Society has now completed its first year with the new business model. The advancements that have taken place in the marketing business have positioned the Society well to grow our membership and the range of products and services on offer. As the Society has Education in our DNA, there is now a focus on the development of tools, e-books and resources to help our Members with life choices around them and their family's physical, mental, and financial wellbeing.

The Board's annual planning day identified a risk that regulatory change and consumerism are likely to place pressure on the commission received from our hospital insurance policies. The Society is therefore committed to adding new commission bearing products, to diversify the source of income.

The establishment of the charitable grants business required significant investment in the development of the policies, guidelines, and technology. Going forward the annual grants round will benefit from the work that has taken place as the Society has established an efficient, robust, and cost-effective grants capability. The priority themes for this year's grants – equity, the future of work, wellbeing, work/life balance, helping the education workforce deal with the effects of Covid-19 – attracted innovative applications well-grounded in union values. We look forward to the work of the successful grantees being of wide benefit to their unions and communities.

The success of the Society will always be dependent on the relationships and support that the Society and the HealthCarePlus Representatives received from the Union Owners, their field staff and Members. This support is the catalyst for our growth and another way that we show solidarity and advance of the benefits of Unionism.

The Future

The regulators have continued to work with insurers and banks on their response to their Code of Conduct enquiries. In addition, RBNZ has recently recommenced its review of Insurer Solvency, so an increase in insurer solvency is back on the agenda. Although the Society is not directly impacted by these enquiries, we have increased our 'Voice of the Customer' and other surveys to ensure that our Members continue to confirm that they have a high level of satisfaction.

COVID 19 will continue to have an impact on the health insurance industry for a considerable period of time. New Zealand has a good public health system so private health insurance in New Zealand is a voluntary purchase. So, depending on the financial impact of COVID 19 there may well be a period where sales of health and other insurance products may be a challenge.

The launch of the 'Grants for Good' program has enabled the Society to invest in the future of New Zealanders in a time of significant economic, social, and environmental challenges. This launch has also enabled the Society to increase its profile and this will continue as we track and report on the progress of the grantees.

Despite COVID 19, the outlook for the Society is more positive than for many other organisations. As the Union Owner's Members are government employees, their employment is less likely to be impacted by COVID 19 than many other sectors. In addition, with less than 10% of our Union Owner's Members being HealthCarePlus Members, there remains a significant and untapped opportunity to grow HealthCarePlus.

So, with over 90% of Union's Members not yet HealthCarePlus Members, a strong balance sheet and sustainable business model, with high quality products and services, the Society is well positioned for growth as our Union Owner's Health and Wellbeing partner.

The Board would like to acknowledge the support from the member Unions, particularly NZEI Te Riu Roa, in allowing the Society to use their meeting rooms as well as providing other assistance.

The Board would like to also acknowledge the commitment and support received from the HealthCarePlus Representatives and the team at Monument and Crombie Lockwood. In addition, the Board would like to acknowledge the support and guidance received from our professional advisers.

Finally, I would like to acknowledge and thank the Board for their leadership, dedication and resolve during this period of significant change.

The Board believes that the Society has already significantly benefited by the reduction in risk and the increased focus that the new business model brings and the Society looks to continue to add real value to our Union Owners and their Members via their relationship with HealthCarePlus.

Covid-19 has enlarged our understanding of what health and wellbeing are about, as well as of the role we can play, individually and through caring collectives such as our unions, to keep all of us safe, well, and resilient.

In conclusion, I would like to quote from The Education Benevolent Society First Annual Report - Year ended 31 March 1963. *"The Board feels sure that the Society will do its work most effectively when it has the support of all teachers and officers who are eligible to join."* This is as true today as it was in 1963. The Board and Management look forward to continuing to work with our Union Owners as when we work together, we can make a real difference to the Health and Wellbeing of our Members.

Executive Commentary

At the commencement of the financial year the focus was the achievement of Charitable Status. This process took longer than expected however the benefit of regaining tax-exempt status was worth the wait. Registration with Charities Services does however make the Society subject to the scrutiny of another new and complex regulatory and compliance regime.

The establishment of the Charitable Grants business was a new experience for the organisation. Fortunately, having been a licenced insurer meant that the team was used to operating within a complex regulatory environment. The first round of the 'Grants for Good' program was launched during June and I am pleased to announce that at today's Board Meeting, the Board endorsed the recommendations of the Charitable Grants Committee and next week we will have the privilege of calling the successful applicants to advise them that their grant applications have been successful

The recruitment of the team of two marketing specialists has played a significant role in the creation of a world class inbound marketing capability to support the Insurance Marketing and the Charitable Grants activities. The marketing team has created a full communications program including monthly newsletters, regular social media posts, nurturing and onboarding campaigns to support enquiries and new Members, and assets for use by the Unions to use promote the grants and other products and services.

The first marketing campaign launched using the new tools in Q1 2020 was with the PSA and this campaign showed very positive results. Unfortunately, this was closely followed by the arrival of COVID-19 and this resulted in the Unions understandably redirecting all communications to addressing the pandemic and the impact on their Members. During COVID-19 the Society increased our communications with our Members and the results of the monthly "Voice of the Customer" survey remains very positive with 82% of Members surveyed either "agree" or "strongly agree" with the HealthCarePlus 's catch line *'It's good to belong'*.

The messaging for all communications has also been changed to reflect the special relationship between HealthCarePlus and our Union Owners. This now positions HealthCarePlus as the Union Owner's 'Health and Wellbeing' partner and not just another Member benefit. This re-positioning allows HealthCarePlus to expand the range of products and services that it provides to cater for Member's physical, mental, and financial health and wellbeing. In addition, due to the economic environment there has been a conscious move towards taking a more "educational" role and this includes the development of e-books, running webinars, and the use of social media to increase our Member's financial literacy and resilience.

During the COVID 19 lockdown the Society took the opportunity to continue to embrace technology and to further automate the sales functions. This included building a new online quote tool, and the recording of video presentations for distribution when access to worksites is restricted. We have also introduced a resource kit for the Union field staff that includes brochures, banners, booklets, and the ability to book worksite visits with their local HealthCarePlus Representative. It is pleasing to note that the majority to the new tools and enhancements are produced internally thereby saving the cost of expensive external consultants.

These developments will ensure that the Society is well positioned when consumers regain confidence as to their financial position and are ready to make decisions about their financial future.

Performance

Financial Position

This is the last year of reporting that will include reference to the Insurance business. As previously mentioned, the business transition is now completed and I am pleased to advise that the project has been completed 9%, or \$102k under budget. This year's financial result, a Surplus of \$703k has been increased by the one off IBNR refund from UniMed of \$653k. This amount was the 'excess' in the IBNR that the Society was required to pay to UniMed on transfer.

If the Surplus of \$703k is adjusted for the IBNR adjustment of \$653k and the transition costs incurred in 2019-2020 of \$158k, the adjusted Surplus is \$208k. This is a very pleasing result in a period of business transformation and includes some of the impact of COVID-19.

This surplus has had a positive impact on our balance sheet with Total Accumulated Funds of \$9,455k. This exceeds our previous highest level of Total Accumulated Funds in 2015 and this is without the significant and ever-increasing insurance underwriting and compliance risks.

Investment Management

As an insurer there are solvency benefits to support the engagement of an investment manager with a home country bias. The change to the business model required a review of the Statement of Investment Policy and Objectives (SIPO). A review was undertaken, and a new strategic asset allocation (SAA) was recommended to and accepted by the Board. This then led to a fund manager review and the appointment of Mercer New Zealand. On behalf of the Board I would like to acknowledge Mint for the professional way that they managed the Fund.

COVID-19 has had a significant impact on global financial markets. The Fund has been impacted by the volatility and at this stage is still in a positive situation. As the Fund has a significant exposure to Bonds the response by Central Banks to COVID-19 is likely to impact returns in the short to medium term. The Board has no intention to make any changes to the SAA as the SAA is designed to deliver the required returns over the full business cycle.

Sales Performance

Our HealthCarePlus day-to-day plans have now been managed by UniMed for almost 22 months. The feedback from the members has been very positive and complimentary about the team at UniMed. This feedback is reinforced by UniMed winning Canstar New Zealand's top Health Insurer title for 2020.

As previously mentioned, the new marketing capability came on stream around the same time as COVID-19 struck. Since then the Unions Owner's communications have been largely focused on COVID-19. In addition, the lockdowns resulted in no access to workplaces and this has impacted on the HealthCarePlus Representatives to make school visits and hence sales have been negatively impacted.

The creation of a Video presentation by the HealthCarePlus Representatives has helped promote HealthCarePlus's products during these challenging times. There are however real concerns about

how the economic challenges will impact on sales for the balance of 2020 and into 2021. It is however pleasing that retention of existing Members has yet to be impacted and during times of economic shocks, retention of existing customers is the primary concern.

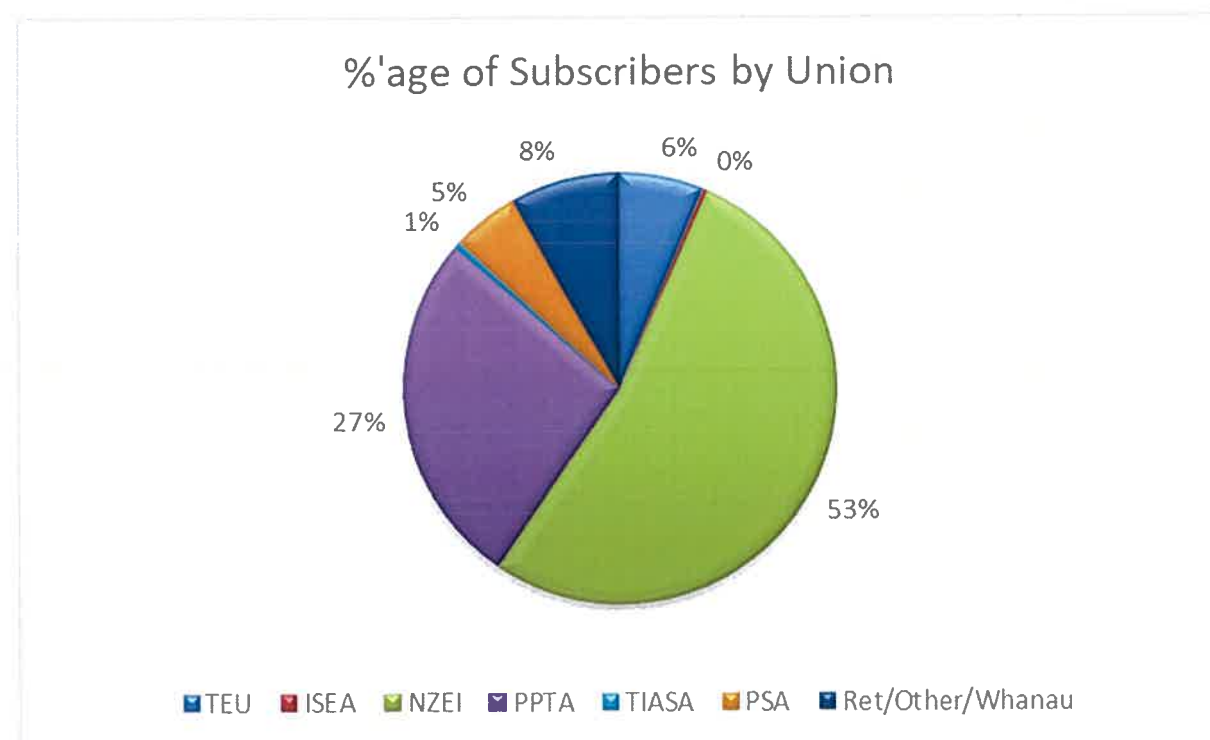
Prior to Xmas a new Travel insurance product was launched and underwritten by Cover-More. Initial sales were good in spite of only a “soft launch”. This take-up is a good indication that the HealthCarePlus brand is well respected by our Members and they are likely to support other products and services when they are introduced. Unfortunately, COVID-19 has made the purchase of travel insurance largely irrelevant until international travel recommences.

HealthCarePlus plans to increase our range of products and services that we offer. At this stage there are discussions around Funeral Insurance and the provision of Wills. Over time the range will increase as we look to provide our Members with access to products and services that support their mental, physical and financial wellbeing.

I would like to acknowledge and thank our business partners especially, Matt Tong our Virtual CFO, UniMed, Crombie Lockwood and the HealthCarePlus Representatives for their ongoing commitment and support for HealthCarePlus.

In spite of some environmental challenges the future for the Society is positive, and with the continued support of our Union Owners and their staff, and our Board, staff and contractors we can make a real difference to the mental, physical and financial health of our Members.

Key Metrics



Resolutions to the AGM

Resolution 1: Annual Report for 2019-20

That the Annual Report for 2019-20 be adopted

Moved:

Seconded:

Resolution 2: Financial Statements and Statement of Financial Position

That the Financial Statements for the period 1st July 2019 to 30th June 2020 and statement of financial position with accompanying audit report as circulated be received.

Moved:

Seconded:

Resolution 3: Appointment of the Auditor for the 2020/21 Financial Year

That the External Auditor (KPMG) continues to be appointed as the external Auditor with effect for and including the year ended 30th June 2021.

Moved:

Seconded:

Resolution 3: Appointment of the Board for the 2020/21 Financial Year

That the below changes to the EBS Board for the 2020-21- Financial Year are approved

- 3.1. That Erin Polaczuk be reappointed as the PSA Member Board Member for a period of 3 years.

Moved:

Seconded:

General Business if any

Meeting Closed

Performance Report

Education Benevolent Society Incorporated
For the year ended 30 June 2020

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Entity Information

Education Benevolent Society Incorporated For the year ended 30 June 2020

'Who are we?', 'Why do we exist?'

Legal Name of Entity

Education Benevolent Society Incorporated

Entity Type and Legal Basis

Incorporated Society and Registered Charity.

Incorporation Number

441954

Charities Registration Number

CC57027

Entity's Purpose or Mission

To provide eligible union members (and their families) access to a uniquely generous and affordable healthcare scheme and use accumulated funds to generate a surplus to distribute to eligible New Zealanders as charitable education grants and "give back" to the education and public sector as a whole.

Entity Structure

Education Benevolent Society is governed by six board members appointed by the six member Unions. There are four Member Board Members appointed by the Unions with the largest membership of the Society and two independent Board members.

The board members are as follows;

Linda Sissons - Chairperson, Independent Board Member
Darrell Ward - Deputy Chair, Member Board Member representing New Zealand Educational Institute
Daniel Mussett - Independent Board Member
Samantha Stephen - Member Board Member representing Tertiary Education Union
Erin Polaczuk - Member Board Member representing NZ Public Services Association
Allan Vester - Member Board Member representing NZ Post Primary Teachers Association

Main Sources of Entity's Cash and Resources

Funding for Grants:

The "Fund" that generates the returns that are available for distribution under the 'Grants for Good' program, was created from the reserves that the Society retained for RBNZ solvency requirements when it operated as a licensed insurer.

Funding for Operating Expenses:

The Society funds the bulk of the operating costs including the insurance marketing activities, and grants management, from the commission derived from Hospital insurance policies.

Main Methods Used to Raise Funds

The Society funds its activities through its insurance marketing activities.

Entity's Reliance on Volunteers and Donated Goods or Services

The Society has no reliance on volunteers, or donated goods or services.

Registered Address

Level 5, 50 Manners Street
Te Aro
Wellington

Auditor

KPMG

Banker

BNZ

Solicitor

Duncan Cotterill

Approval of Financial Report

Education Benevolent Society Incorporated For the year ended 30 June 2020

The Board is pleased to present the approved financial report including the historical financial statements of the Education Benevolent Society Incorporated for the year ended 30 June 2020.

APPROVED



Chairperson

Date 21/10/2020



Chief Executive

Date 21/10/2020



Statement of Service Performance

Education Benevolent Society Incorporated For the year ended 30 June 2020

'What did we do?', 'When did we do it?'

Description of Education Benevolent Society's (EBS) Outcomes

EBS obtained Charitable Status for 'Educational Purposes' on 4th October 2019. The vision is to support selected educational themes via the annual distribution of charitable grants using the investment return from the 'Fund'. It is estimated that around \$200,000 will be available annually for distribution as charitable education grants.

The focus for this financial year was preparation for the distribution of the first round of the 'Grants for Good' program. This required the development of the program rules, guidelines, the establishment of the Board's Charitable Grants Sub-Committee, and the implementation of the grants management software.

The first round of the 'Grants for Good' program was launched on the 22nd June 2020 and the applications closed on the 11th September 2020 and successful applicants will be notified early November 2020.

As no charitable grants have been allocated during this financial year, no provision has been made in the accounts for the 2020-2021 round of 'Grants for Good' program.



Statement of Financial Performance

Education Benevolent Society Incorporated

For the year ended 30 June 2020

'How was it funded?' and 'What did it cost?'

	NOTES	2020	2019
Revenue			
Revenue from providing goods or services	1	756,692	3,169,911
Interest, dividends and other investment revenue	1	197,178	518,727
Other revenue	1	652,902	-
Total Revenue		1,606,772	3,688,638
Expenses			
Employee related costs	2	441,121	773,466
Costs related to providing goods or service	2	462,664	3,428,534
Total Expenses		903,785	4,202,000
Surplus/(Deficit) for the Year		702,987	(513,362)



Statement of Financial Position

Education Benevolent Society Incorporated As at 30 June 2020

'What the entity owns?' and 'What the entity owes?'

	NOTES	30 JUN 2020	30 JUN 2019
Assets			
Current Assets			
Bank accounts and cash	3	819,323	3,681,088
Debtors and prepayments	3	113,045	75,365
Other Current Assets	3	600,000	-
Total Current Assets		1,532,368	3,756,453
Non-Current Assets			
Property, Plant and Equipment	5	43,025	11,548
Investments	3	7,963,576	5,238,015
Total Non-Current Assets		8,006,600	5,249,563
Total Assets		9,538,968	9,006,017
Liabilities			
Current Liabilities			
Creditors and accrued expenses	4	67,489	194,038
Employee costs payable	4	16,271	59,758
Total Current Liabilities		83,760	253,795
Total Liabilities		83,760	253,795
Total Assets less Total Liabilities (Net Assets)		9,455,208	8,752,221
Accumulated Funds			
Accumulated surpluses	6	9,455,208	8,752,221
Total Accumulated Funds		9,455,208	8,752,221



Statement of Cash Flows

Education Benevolent Society Incorporated For the year ended 30 June 2020

'How the entity has received and used cash'

	2020	2019
Cash Flows from Operating Activities		
Contributions received	-	2,287,885
Receipts from providing goods or services	750,709	714,355
Benefits Paid	-	(2,209,972)
Payments to suppliers and employees	(1,086,311)	(1,866,763)
Total Cash Flows from Operating Activities	(335,602)	(1,074,495)
Cash Flows from Investing and Financing Activities		
Interest, dividends and other investment receipts	38,841	190,576
Net (Purchases of)/Sales of investments	(3,168,267)	5,251,503
IBNR Provision (paid to)/received from UniMed	652,902	(1,976,018)
Payments to acquire property, plant and equipment	(49,640)	-
Total Cash Flows from Investing and Financing Activities	(2,526,164)	3,466,061
Net Increase/(Decrease) in Cash	(2,861,766)	2,391,566
Bank Accounts and Cash		
Opening cash	3,681,088	1,289,522
Closing cash	819,323	3,681,088
Net change in cash for period	(2,861,766)	2,391,566



Statement of Accounting Policies

Education Benevolent Society Incorporated For the year ended 30 June 2020

'How did we do our accounting?'

Basis of Preparation

The entity has elected to apply PBE SFR-A (NFP) Public Benefit Entity Simple Format Reporting - Accrual (Not-For-Profit) on the basis that it does not have public accountability and has total annual expenses equal to or less than \$2,000,000. All transactions in the Performance Report are reported using the accrual basis of accounting. The Performance Report is prepared under the assumption that the entity will continue to operate in the foreseeable future.

Comparative Figures

On 31 December 2018, the entity transferred its insurance business to the Union Medical Benefits Society Incorporated (UniMed). With effect from 1 January 2019 the entity started operating in its current form, as an organisation which generates insurance marketing leads as a fund raising activity to support the entity's charitable endeavours.

The comparative figures include these 6 months of trading as an insurance business.

Goods and Services Tax (GST)

The entity is registered for GST. All amounts are stated exclusive of goods and services tax (GST) except for accounts payable and accounts receivable which are stated inclusive of GST.

Income Tax

No taxation has been provided for as the entity is a charity and exempt from income tax.

The entity applied to Charities Services NZ for charitable status in February 2019 and charitable status was granted effective from 4 October 2019. This has resulted in the entity being considered tax paying between 1 January 2019 to 3 October 2019. The entity has undertaken a review of the income and expenditure during this period and ascertained that a tax loss has been incurred over this period so no tax provision is required to be provided for in these financial statements.

Bank Accounts and Cash

Bank accounts and cash in the Statement of Cash Flows comprise cash balances and bank balances (including short term deposits) with original maturities of 90 days or less.

Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the entity and revenue can be reliably measured.

Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must be met before revenue is recognised:

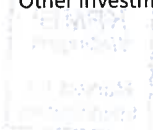
Revenue from Providing Goods and Services:

Revenue from providing goods and services is recognised as revenue in the year in which it relates, when it is probable that the future economic benefits will flow to the entity and the fair value of the revenue can be reliably measured.

Interest, Dividends and Other Investment Revenue:

Interest, dividend and investment revenue is recognised in the Statement of Financial Performance as it is earned, on an accruals basis.

Other investment revenue comprises the unrealised/realised gain on the investment portfolio.



Property, Plant and Equipment

Recognition and measurement

All property, plant and equipment are stated at cost less accumulated depreciation, amortisation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Any gain or loss on disposal of an item of property, plant or equipment is recognised in surplus or deficit.

Depreciation

Depreciation is calculated on a straight line basis to write off the cost of items of property, plant and equipment less their residual values using the published IRD rates over their useful lives, and is recognised in surplus or deficit.

The depreciation rates associated with major classes of assets have been estimated as follows:

20% - Furniture & Fittings

40% - Computer Equipment (including software)

Employee Costs

Employee entitlements are measured at undiscounted nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned but not taken at balance date, and long service leave.

The entity recognises a liability and an expense for bonuses it is contractually obliged to pay, or where a past event has created a constructive obligation.

Tier 2 PBE Accounting Standards Applied

The entity has applied IPSAS 28: Financial Instruments: Presentation, IPSAS 29: Financial Instruments: Recognition and Measurement, and IPSAS 30: Financial Instruments: Disclosures for its investment balances. Investments are designated at fair value through surplus or deficit upon recognition. Directly attributable transaction costs are recognised in profit and loss as incurred. Financial assets at fair value through surplus or deficit are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

Changes in Accounting Policies

In the comparative reporting period the entity applied Tier 1 PBE standards. The movement to Tier 3 PBE standards has not resulted in any changes in the accounting policies applied during the financial year and has no impact on the reported amounts for either period.



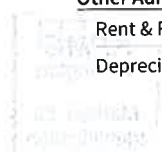
Notes to the Performance Report

Education Benevolent Society Incorporated For the year ended 30 June 2020

	2020	2019
1. Analysis of Revenue		
Revenue from providing goods or services		
Commission on Hospital Cover	751,654	716,270
Commission on Travel Cover	1,022	-
Commission on Mortgages	4,016	2,136
Contributions	-	2,451,505
Total Revenue from providing goods or services	756,692	3,169,911
Interest, dividends and other investment revenue		
Interest Received	39,884	124,590
Fair value gain on revaluation of investments	157,294	394,137
Total Interest, dividends and other investment revenue	197,178	518,727
Other revenue		
IBNR Provision Refunded	652,902	-
Total Other revenue	652,902	-
	2020	2019

2. Analysis of Expenses

Employee related costs		
Board Member Fees	141,250	134,063
Employee Related Costs	7,324	34,743
Salaries	292,547	604,661
Total Employee related costs	441,121	773,466
Costs related to providing goods or services		
Benefits Paid	-	2,209,972
Investment Expenses	-	31,297
Professional Expenses		
Accounting Fees	35,755	42,003
Actuarial Expenses	1,938	18,819
Audit Fees	23,500	25,000
Auditors Fees - Non Audit Work	4,298	-
Legal Services	18,393	448
Health Funds Association Membership	10,000	10,975
Insurance Ombudsman	1,418	1,790
Strategic Review and Implementation	157,740	302,910
Credit Rating Agency	-	18,024
Total Professional Expenses	253,041	419,967
Other Administration and overhead expenses		
Rent & Related Occupancy	34,374	54,364
Depreciation and Amortisation	14,135	44,691



Movement in IBNP Provision	-	431,745
Bank Charges	241	2,648
Computer Expenses	22,030	78,920
Office Administration	50,841	85,491
Printing, stationery, advertising	88,002	69,439
Total Other Administration and overhead expenses	209,623	767,298
Total Costs related to providing goods or services	462,664	3,428,534
	2020	2019

3. Analysis of Assets

Bank accounts and cash		
BNZ Bank Accounts	819,214	928,463
BNZ Term Deposits with maturity < 90 days	-	2,000,000
Rabobank Account	88	752,625
Petty Cash	21	-
Total Bank accounts and cash	819,323	3,681,088
Debtors and prepayments		
Accounts Receivable	71,924	65,940
Prepayments	38,641	7,500
Interest Accrued	2,480	1,437
GST	-	488
Total Debtors and prepayments	113,045	75,365
Other current assets		
BNZ Term Deposits with maturity > 90 days	600,000	-
Total Other current assets	600,000	-
Investments		
Monitored Portfolio	7,963,576	5,238,015
Total Investments	7,963,576	5,238,015
	2020	2019

4. Analysis of Liabilities

Creditors and accrued expenses		
Accounts Payable	35,265	154,328
BNZ Credit Card	1,631	16
GST	7,986	-
Accrued Expenses	22,607	39,693
Total Creditors and accrued expenses	67,489	194,038
Employee costs payable		
Accrued Wages	2,140	55,350
Accrued Holiday Pay	14,130	4,408
Total Employee costs payable	16,271	59,758

10/10/2020
10/10/2020
10/10/2020



	2020	2019
5. Property, Plant and Equipment		
Furniture and Fittings		
Furniture and fittings owned	55,510	45,209
Accumulated depreciation - furniture and fittings owned	(37,299)	(33,661)
Total Furniture and Fittings	18,211	11,548
Computer Equipment		
Computer equipment owned	25,188	37,642
Accumulated depreciation - computer equipment owned	(19,588)	(37,642)
Total Computer Equipment	5,600	-
Computer Software		
Computer software owned	22,980	-
Accumulated depreciation - computer software owned	(3,766)	-
Total Computer Software	19,214	-
Total Property, Plant and Equipment	43,025	11,548
	2020	2019

6. Accumulated Funds

Accumulated Funds		
Opening Balance	8,752,221	9,265,583
Current year earnings	702,987	(513,362)
Total Accumulated Funds	9,455,208	8,752,221

7. Related party transactions

There were no related party transactions during the year not transacted at arms length. (2019: Nil)

8. Commitments

The Society entered into an agreement to lease new premises at Level 5, 50 Manners Street from 1 July 2019. The lease commitment is for three years, two months at \$24,675 per annum.

9. Grants for Good

During the year the Society resolved to earmark \$400,000 of funds to provide 'Grants for Good', in line with it's charitable purpose, for the 2021 and 2022 financial years. These funds are currently in a BNZ interest bearing account and will be disbursed in the 2021 and 2022 financial years.



10. Impact of Covid-19

On 30 January 2020, the spread of novel Corona virus (COVID-19) was declared a public health emergency by the World Health Organisation. New Zealand's government along with governments around the world have placed lockdown restrictions to various degrees impacting movement of people and business operations.

The Board will continue to monitor the impact of COVID-19 on the Society but at the date of signing this report it is too early to determine the full impact this virus may have on the entity.

Should this public health emergency continue for a prolonged period of time this has the potential to have an adverse financial impact on the society (for example through loss of revenue). Regardless, the Board maintains the view that the society has sufficient resources that it will continue to operate as a going concern.

11. Events after the reporting date

There were no events that have occurred after the reporting date that would have a material impact on the performance report. (2019: The Society received Charitable Status on 4 October 2019).





Independent Auditor's Report

To the members of Education Benevolent Society Incorporated

Report on the audit of the performance report

Opinion

In our opinion, the accompanying performance report of Education Benevolent Society Incorporated (EBS) on pages 6 to 15:

- i. present fairly in all material respects the EBS's financial position as at 30 June 2020 and its financial performance and cash flows for the year ended on that date;
- ii. comply with PBE Simple Format Reporting Standard - Accrual (Not For Profit); and
- iii. suitably report the service performance information required by Public Benefit Entity Financial Reporting Standard 48 ('PBE FRS 48') in the statement of service performance.

We have audited the accompanying performance report which comprise:

- the statement of financial performance as at 30 June 2020;
- the statement of financial position, and cash flows for the year then ended;
- notes, including a summary of significant accounting policies and other explanatory information; and
- the statement of service performance and entity information on page 6.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'), and the audit of information PBE FRS 48 requires to be included in the statement of service performance, in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* ('ISAE (NZ) 3000'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of EBS in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) and ISAE (NZ) 3000 are further described in the auditor's responsibilities for the audit of the performance report section of our report.

Our firm has also provided other services to EBS in relation to tax advice provided during the period on the impact of the society regaining its charitable status. Subject to certain restrictions, partners and employees of our firm may also deal with EBS on normal terms within the ordinary course of trading activities of the business of EBS. These matters have not impaired our independence as auditor of EBS. The firm has no other relationship with, or interest in EBS.



Responsibilities of the Board for the performance report

The Board, on behalf of EBS, are responsible for:

- the preparation and fair presentation of the performance report in accordance with generally accepted accounting practice in New Zealand (being PBE Simple Format Reporting Standard - Accrual (Not For Profit));
- implementing necessary internal control to enable the preparation of a performance report that is fairly presented and free from material misstatement, whether due to fraud or error;
- the preparation of a statement of service performance that complies with the requirements of PBE FRS 48; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the performance report

Our objective is:

- to obtain reasonable assurance about whether the performance report as a whole is free from material misstatement, whether due to fraud or error;
- perform procedures to determine whether the service performance information required by PBE FRS 48 has been suitably reported in the statement of service performance ; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this performance report.

A further description of our responsibilities for the audit of this performance report is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/>

This description forms part of our independent auditor's report.



KPMG
Wellington

21 October 2020