

New Zealand Multiple Sclerosis Research Trust

Financial Reserves Policy June 2017

Background to the formation of the NZMSRT:

The establishment of a separate MS Research Trust was initially mooted at the 2004 MSNZ AGM but was not progressed.

At the 2013 MSNZ AGM, the MSNZ National Committee proposed a remit to approve in principle the establishment of the New Zealand Multiple Sclerosis Research Trust with the authorisation for a business case to be created with a final report and recommendations made to the Regional Societies. This was passed unanimously.

At the 2014 MSNZ AGM, the Committee presented a remit to establish the NZMSRT in accordance with a prepared trust deed and make an initial transfer of \$600,000 to the Trust as the initial funding. This was passed unanimously and the Trust was officially established on May 8, 2015.

The Auckland Regional MS Trust also transferred \$300,000 to the NZMSRT as seed funding in 2014.

The National Committee saw the need to develop a separate research trust as MSNZ had limited resources which constrained its ability to undertake research alongside the other needs of the organisation. The NZMSRT was established to seek its own funding and work collaboratively but independently from MSNZ

The Policy:

1. The New Zealand Multiple Sclerosis Research Trust ("NZMSRT", the "Trust") will endeavour to always maintain cash or near cash current assets to meet a minimum of 6 months cash operating expenses of the Trust. The Treasurer will report on this target at each Trustee meeting.
2. All general bequests or donations received by the Trust will be added to its investment portfolio, either as cash or other investment assets in line with the Trust's investment policy applying at the time of receipt of those funds.
3. Any bequests or donations received by the Trust which have been made with specific instructions on how those funds should be expensed will be clearly identified and used only in accordance with those instructions.
4. Any distribution or expenditure of funds outside of normal operating expenses will be made in accordance with the Trust's grants policy. The amount of funding available for grants will be confirmed by the end of June each year.
5. As the funds invested by the NZMSRT grow it is the intention of the Trustees that the Trust will become a significant funder of MS Research in New Zealand. The exact amount of funding available each year for MS Research will depend on the investment income the trust generates, other funds received by the Trust, annual operating expenses, and the requirement of the Trust to re-invest some income to maintain and increase its capital funds to the stated target of \$5m. This is the base level of capital the Trust believes is required to generate sufficient income to make sustainable and meaningful annual contributions and grants to MS Research.

6. NZMSRT manages its financial reserves through an agreed Investment Mandate with a recognised investment management firm as well as keeping sufficient funds available in an on-call bank account to meet normal operating and other approved expenses. The performance of the portfolio is reported on monthly to the Trust's Investment Committee and the mandate is reviewed annually.

MS Research Benefits:

Research benefits people with MS (PwMS) in NZ in the following ways:

- Helps to attract and retain highly qualified neurologists and MS nurse specialists to work in our hospitals, many of which have and seek Research opportunities
- A strong research community underpins a strong medical and clinical work force and ensures that the care provided is proven to have the most benefit
- Research enables Field Workers to provide the most up to date care for their clients
- Research benefits the lives of people with MS through a greater understanding and development of programmes that enable people to manage their condition and improve their well-being
- Research enables PwMS to participate in research and clinical trials
- Provides vital information for interaction with government & other funders
- Clinical and allied health interventions should be evidence-based i.e. research based. With high risk treatments emerging the need to have clinical trials and reliable research will help keep people with MS safer and potentially help develop new treatments and a future cure
- An increased focus on Research has strengthened links with MS Australia and MS Societies internationally
- Publications from the Prevalence & Incidence Studies are frequently used by Researchers nationally and internationally to support other research to benefit the lives of people with MS in NZ and worldwide
- Research generates considerable public interest about MS which can be capitalized on

Factors considered in establishing this policy:

In establishing this policy, the Trust considered the following factors:

1. Sources of income and funding

The Trust derives its funding and income from the following sources:

- Donations & Bequests;
- Fundraising activities;
- Sponsorship;
- Grants;
- Investment Portfolio returns;
- Givealittle Page

All this funding and income is variable and unpredictable, and is largely dependent on factors outside of the Trust's control. Therefore, the Trust has set a target of building its capital reserves to a minimum of

\$5m, a level it believes is required to generate sufficient income to make sustainable and meaningful annual contributions and grants to MS Research.

2. Annual Operating Expenses

The NZMSRT is a purely voluntary organisation and as such, has a very lean annual operating profile. Recurring annual expenses include insurance and subscription charges, website fees, audit fees and portfolio costs. Should the Trust employ any part or full-time employees, this will need to be taken into consideration as part of this policy.

3. Investment Mandate and Investment Returns

The investment objectives of the Trust are:

- To create a sustainable annual income stream to be used to fund research into MS.
- Timeframe – 10 years +

In determining an appropriate investment mandate, the Trust has considered its objectives and ensured it meets its responsibilities under the Trustee Act 1956 and amendments. The Trust has adopted a Conservative Income Portfolio Asset Allocation as its reference portfolio. This allocation is suitable for long term investors seeking a balanced portfolio with a mix of income and some growth.

4. Perceptions of Funders

A key consideration of this policy is the perception of funders and other stakeholders regarding the capital reserves being held by the Trust. It is important that our annual accounts clearly articulate the Financial Reserves Policy and the reasons for holding such levels of funds.

Many sophisticated funders understand the needs of organisations to have adequate financial reserves but this is not necessarily the case for less sophisticated funders. Transparency around this policy is therefore very important.

Policy Review:

This policy should be reviewed every 2 years.

Adopted: June 14, 2017