



Te Uniana Whakanama Pirihimana
POLICE HELPING POLICE

ANNUAL REVIEW 2021





Contents

Chair's Report 2021	3
Year in Review	5
Scholarships	6
Blue Trust	8
Chief Executive's Report 2021	13
Member Feedback	16
Summary Financial Statements	17

Chair's Report 2021

It is with pleasure that I present my report for the 2021 Annual Review. Having been elected as Chair last year, I have been very fortunate to have had Richard Middleton as a mentor providing guidance and advice for my first year.

I have also been grateful for the confidence from the Board in electing me as Chair and the skills and leadership demonstrated this last year during continuing challenging times.

Our Chief Executive, Joe Bishop, has recently resigned and is departing on the 29th of October. Joe started 18 months ago and has led our team through some very challenging times with the impact of Covid-19 not only on our business, but also on our team and how we operate. I wish to thank Joe for his leadership during this difficult time, and we wish him all the best for his future. The Board has appointed Richard Middleton as Managing Director whilst we transition to a new Chief Executive.

This year we celebrate Richard's long-standing role in Police Credit Union as he retires from the Board. Richard was first elected to the Board in 2006, and was elected as Chair in 2010, remaining as Chair until 2020 when he stood down to allow a smooth transition. During his time on the Board, Richard has demonstrated strong strategic leadership combined with high ethical and professional standards that have greatly benefited our membership. He has strong partnerships and a focus on building for the future that has kept the Police Credit Union in a strong position. We wish Richard and Carol all the very best for their next journey, albeit Richard will continue for a short period as Managing Director whilst we appoint a new Chief Executive.



Lane Todd
Chair of the Board

During the last year, like many businesses, we have continued to be challenged with the impact of Covid-19. Whilst low interest rates are positive for borrowers, it is obviously a challenge for investors. As a Board, we are constantly reviewing our business model and focussing on new opportunities. We have this year increased our stake holding with Finzsoft, now holding 48.9%. We are also exploring new products for our members, and a recent survey carried out clearly indicates our members are looking for opportunities.

Updated legislation commencing on 1 December will provide additional protection for customers of financial institutions. The Credit Contracts and Consumer Finance Amendment Regulations (CCCFA) has significant changes that all financial

institutions are required to comply with. The Board have had a focus on the new legislation, and after engaging KPMG to audit our processes, we have a work plan developed and ready to implement to ensure we are compliant.

I want to acknowledge our fantastic team who work hard every day to provide our members the best service, putting you as our members at the centre of everything we do.

Regards



Lane Todd
Chair of the Board



2020-2021

YEAR IN REVIEW

\$152.1m

Total Credit Union assets

\$27m

Total equity

\$1m

Net profit

18,065

Membership number

BBB-

Equifax rating

\$59.2k

Invested in Blue Trust courses

61

Scholarships of up to \$1,000 awarded to members

345

Members attended our financial capability programmes

162

Members attended our webinars

Scholarships

Our scholarship programme supports members who want to improve their financial well-being through training, education courses or self-development activities.

This is the seventh year the Police Credit Union has offered the opportunity to members to apply for a scholarship payment of up to \$1,000 to assist with increasing their financial well-being.

We have provided scholarships for everything from mini stock car racing and launching a solo art exhibition, through to supporting sporting goals and just about everything in between.

This year we awarded Ruth Tolise \$1,000 towards completing the Executive Master in Business Administration (EMBA) programme through Massey University. The EMBA is a part-time 2 ½ year programme focused on developing critical and reflective skills and strategic leadership ability, in addition to preparation for global leadership opportunities.

Ruth had always had a goal to embark on an MBA journey, and at the end of 2019 was accepted into an elite programme allowing her to start fulfilling her dream.



Ruth and her daughter Blayke (5 yrs) at an award ceremony where she received a bursary from FUJIFILM Business Innovation at Massey University in July this year



Ruth and her daughters; Tylah (top-right, 23yrs), Blayke (bottom-left: 5yrs) and Ridley (in her arms, 3 yrs)



Ruth is now very close to completing her EMBA and is working on her final research paper on the topic of 'upgrading an institution to full regulatory compliance'. She is building a toolkit that organisations, regardless of size, can use to enable them to become fully compliant based on the ever-changing regulatory environment.

As a life-long learner, Ruth won't be stopping there. She has been accepted into the Masters of Law through Auckland University starting in March 2022. Ruth's incredible dedication and determination to succeed means she will be both working and studying full-time so that she can complete her qualification as quickly as possible.

"Thank you, Police Credit Union, for the scholarship. Being a recipient of a scholarship is a huge privilege, and I'm incredibly grateful to be awarded one because it signifies that a group of people believe in my dream. It is a lifelong commitment to pursue my academic goals, one that is expensive, so funding through this scholarship helps me get closer to tangibly realising my dream. My schedule is busy raising two children aged three and five, working and

studying full-time, and my involvement with community governance. Covid-19, on the other hand, altered my schedule even more dramatically, so I had to make many sacrifices and be diligent about balancing my time. Nonetheless, I'm nearing the end of my Executive MBA, and I am midway through my final paper, which will research and examine how to navigate the regulatory landscape in the workplace by understanding enablers and challenges employers face to implement a framework that is not only compliant but also useful and effective for organisations in the financial services sector.

I am excited about my next pursuit as I get ready to embark on another learning journey through the law faculty at the University of Auckland in 2022."

Blue Trust

This year has seen our ability to run on-site courses impacted by the ongoing threat of Covid-19. To combat this, we continued to deliver MoneyBites webinars.

Through Blue Trust we deliver free financial capability courses, seminars and now, webinars, in conjunction with Te Ara Ahunga Ora (previously the Commission for Financial Capability) and New Zealand Police. We cover the course costs for each participant, whether they are a Police employee or a family member.

The 1 to 2 hour MoneyBites webinars were again well received by participants. Alongside this we were lucky to also be able to deliver 7 on-site programmes. We will be continuing the webinars alongside on-site courses over the next 12 months.

Over the period 1 July 2020 to 30 June 2021, 183 people participated in courses across New Zealand, and 162 people participated in webinars.

On-site Courses - 7 delivered with a total of 183 participants

Course	Course Content
Financing your First Home	A two-hour seminar for those considering buying a home.
Police Moneywise	A two-day course for everyday people wanting to take control of their finances.
Retirement Preparation	A one-day course for anyone who is planning on retiring, regardless of age.
Womens	A two-hour course covering the unique needs and influences women can experience with money.

Course Feedback



Retirement Preparation

Participants' agreement with following statements

93%

This course has made me more confident about making money decisions.

89%

This course has shifted the way I think about managing my money.

96%

This course has motivated me to take action about my finances.

What changes will you make because of this course?

"Seriously look at our finances and spending and look at increasing KiwiSaver."

"Change my KiwiSaver. Have a figure established for retirement and work towards it."

"Write a will and get my power of attorney sorted."

Course Feedback

Police Moneywise

Participants' agreement with following statements

92%

This course has made me more confident about making money decisions.

92%

This course has shifted the way I think about managing my money.

100%

This course has motivated me to take action about my finances.

What changes will you make because of this course?

"Pay down my debt and take it seriously. Invest in a managed fund. Have more of a safety net and way more consideration for where my money goes."

"Better organise and prioritise where my money goes"

"Getting my spending under control and pay off my credit card debt."



Webinars - 30 delivered with a total of 162 participants

Webinar Topic	Course Content		
Debt	Use Sorted's debt tools to understand the true cost of and make a plan to get out of debt.	Retirement	Build empathy for your future self. Set up or maximise existing retirement savings strategies to suit your individual need.
Financing your first home	Build knowledge and confidence for buying a first home. Build capability and preparedness for maintaining a mortgage.	Save and Invest	Get to know your investor type and start thinking about the best investment strategies to suit your situation.
Frauds and Scams	Learn how to recognise the warning signs of fraud and how to protect yourself and your whānau.	Spending	Understand the importance of identifying priorities to make a spending plan stick. Develop a budget based on your goals and spending habit insights.
Money Mind	Consider some of the underlying reasons behind your financial decision-making and use the awareness of your money mind when making financial decisions.	Womens	Investigate the unique needs and cultural influences that women may experience when dealing with money.
Protect and Cover	Review options and implement actions for protecting your people, money and stuff.		



Webinar Feedback

Participants' agreement with following statements

94%

This webinar has made me more confident about making money decisions.

94%

This webinar has motivated me to take action about my finances.

100%

The webinar was useful.

"It was a really helpful webinar. Since I am new to New Zealand, I did not know these options existed. It's great of the Police Credit Union and NZ Police to organise this."

"Really appreciate the Police Credit Union offering these free webinars, as well as Sorted's fantastic help and advice."

What is your attitude to debt?

Chief Executive's Report 2021

The 2020-21 year with Covid-19 brought a huge amount of uncertainty in our members lives. Uncertainty at work, never knowing if our members were going to deal with a Covid-19 related issue.

Uncertainty with families dealing with absences of loved ones due to longer or last minute shift changes. Uncertainty for members who work at MIQ facilities and all the stresses that brings. Uncertainty for members who worked in industries greatly affected by the pandemic – tourism and hospitality.

The Police Credit Union also had a lot of uncertainty. We started the year off not knowing if the talked about negative interest rates would happen. Uncertainty about the Reserve Bank official cash rates and the deposit rates we were able to offer our members. Uncertainty about the New Zealand economy and our place in the global environment.

What was certain at the Police Credit Union was that our staff had stood tall during the initial lockdown period. By the beginning of the 2021 Financial Year, staff were well versed in working from home and looking after the financial interests of our members. Throughout the year New Zealand had further lockdowns of varying types, and our staff kept the business wheels turning and made sure that when our members needed us, they were there.



Richard Middleton
Managing Director

Impact on the economy

The impact of the pandemic on the economy has been less than most economists predicted. Consumer spending across New Zealand was only down 0.1% from the previous year. The economy remained robust with high employment along with the governments wage and business supplements assisting. At the beginning of the Covid-19 pandemic New Zealand saw the Reserve Bank drop its official cash rate to 0.25% where it has remained since.

Impact on our members

Low interest rates affected our members in two areas. Members with a home loan enjoyed having mortgage rates of less than 5%, a level unheard of since the inception of the Credit Union in the early 1970's. On the flip side, interest rates for those with deposits hit all time lows, and our mainly retired members with deposits were feeling the pain of term deposits rates under 2%.

Impact on Police Credit Union

Overall, net interest rates have had a big effect on our business. We have high reserves of \$27m. In the past, with higher interest rates, we have been able to invest those reserves to assist the running of the business. Our reserves plus excess liquidity is invested in term deposits, and returns have dropped dramatically. Our interest revenue in 2020 was \$6.85m, versus \$5.66m in 2021. There was a similar drop with the interest we pay to members, with a drop from \$1.99m in 2020 to \$1.02m in 2021, resulting in a drop in net income of \$216k.

Police Credit Union profit

We turned a good profit of \$1m, helped by a share of equity in Finzsoft of \$233k. Overall, it was a satisfactory year particularly considering the negative economic outlook at the start of the year.

Let's not forget our contributions to your financial literacy with our online and in-person courses spending of \$59.2k as well as \$60k in scholarships provided to assist members with their studies.

Finzsoft

During the 2020 Financial Year our board made its first equity investment, purchasing 40% of our banking software supplier Finzsoft, in partnership with First Credit Union. This investment was seen as a strategic purchase, ensuring our continued partnership with the firm that supplied our banking software. In August 2020 our board decided to pursue a full takeover of Finzsoft, again, in partnership with First Credit Union. Negotiations were undertaken in October and November 2020, with the purchase completed in January 2021. This meant that both Police Credit Union and First Credit Union owned 98% of Finzsoft.

Our previous Chief Executive Helen Hatchard is now the Chief Executive Operator of Finzsoft, and brought her business acumen to this company. Following the full purchase of Finzsoft, Helen quickly turned the company around, restructuring its workings, cutting unnecessary expenditure, and generating a profit which added a net \$233k to our bottom line. Whilst the board initially saw this as a strategic investment, it now views the purchase of Finzsoft as a financial investment as well.

The Future

The Credit Contracts and Consumer Finance Amendment Regulations (CCCFA) will come into force on 1 December 2021 and means some adjustments to our lending policies. We will need to have a greater look at the suitability of our products and affordability when considering our loans to members. This will mean a more in-depth examination of your financial records and ensuring we are delivering the best product to assist you in your financial goals. The legislation amendment is aimed at removing 'unprofessional lenders' from New Zealand financial systems. The new rules are widespread which means that all lenders, banks, credit unions, building societies and finance companies will need to operate in the same manner. Rest assured, as a member owned organisation, we will still put you at the heart of everything that we do.

Whilst there have and will continue to be many changes and challenges in our world, the Police Credit Union focus remains unchanged. Our total focus is on you, our members, and assisting in your financial wellbeing.

Our staff have done incredibly well during these challenging times. Hats off to them all for the work they have done in these circumstances. I give a lot

of credit to the organisational skills of Bronwyne Rozier. Bronwyne's can-do attitude, depth of industry knowledge and ability to just get stuff done is superb and turning into legendary status in the industry. Thanks for your combined efforts.

Feedback

Serving the needs of Police and their families is at the heart of everything we do. We want you to know that we've got your back and work every day to make things easier for you. If there is something that we could do better, or something we don't already do that you think we should do, then please let us know.

You can contact me directly at richard.middleton@policecu.org.nz or drop the team a line through the usual channels.

The better we know you the more we can help.



Richard Middleton
Managing Director

Member Feedback

“I had the pleasure of dealing with Vicki at the Police Credit Union in relation to organising a loan. From the onset Vicki was friendly, helpful, and willing to assist in providing clear concise background information on my options.

Once we started the application process the country was placed into Level 4 lockdown, but this did not hinder the outstanding service I received. It was amazing.

I would give the whole Police Credit Union team 5 stars plus based on the manner that I was spoken to by all staff.

The loan was approved within a couple of days of my submission - in Level 4! This made the incredible service even more appreciated.

My sincerest thanks to Vicki and the rest of the great Police Credit Union team for all their hard mahi in these testing times.”

Sergeant Trevor Brown



Summary Financial Statements

Summary Statement of Comprehensive Income

For the year ended 30 June 2021

	2021 \$000	2020 \$000
REVENUE		
Interest Revenue	5,660	6,853
Other Income	385	156
Total Revenue	6,045	7,009
EXPENDITURE		
Interest Expenditure	1,018	1,995
Operating Expenses	3,880	3,972
Strategic Objective Expense	125	164
Total Expenditure	5,023	6,131
Total Comprehensive Revenue and Expense for the Year	1,022	878

Summary Statement of Changes in Equity

For the year ended 30 June 2021

	2021 \$000	2020 \$000
Balance as at 30 June 2020	25,979	25,101
Total Comprehensive Revenue and Expense for the Year	1,022	878
Balance as at 30 June 2021	27,001	25,979

Summary Statement of Financial Position

For the year ended 30 June 2021

	2021 \$000	2020 \$000
ASSETS		
Cash and Cash Equivalents	5,922	4,636
Term Deposits	98,924	93,209
Loans to Members	37,664	42,401
Prepayments	412	604
Property, Plant and Equipment	39	73
Intangible Assets	56	-
Investment in Associate	6,336	3,012
Subordinated debt	2,750	-
Total Assets	152,103	143,935
LIABILITIES		
Trade and Other Payables	210	278
Employee Benefits	80	73
Members' Deposits	124,812	117,605
Total Liabilities	125,102	117,956
Accumulated Revenue and Expense	27,001	25,979
Total Members' Funds	27,001	25,979
	152,103	143,935

Summary Statement of Cashflows

For the year ended 30 June 2021

	2021 \$000	2020 \$000
Net Cash Provided by Operating Activities	13,659	17,912
Net Cash Used in Investing Activities	(12,373)	(20,010)
Total Net Increase (Decrease) in Cash and Cash Equivalents	1,286	(2,098)
Cash and Cash Equivalents at the Beginning of the Period	4,636	6,734
Cash and Cash Equivalents at the End of the Period	5,922	4,636

1. Policies

These summary financial statements are those of the reporting entity the Police and Families Credit Union (PCU) for the year ended 30 June 2021.

The summary financial statements were extracted from the full financial statements authorised for issue by the directors on 29 September 2021. The presentation currency is New Zealand Dollars rounded to the nearest thousand.

As the summary financial statements do not include all the disclosures that are in the full financial statements they cannot be expected to provide a complete understanding as produced by the full financial statements. These summary financial statements have been prepared in accordance with Financial Reporting Standard No 43 'Summary Financial Statements'. The full financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP) and comply with Public Benefit Entity Accounting Standards (PBE Standards) as appropriate for Tier 1 not for profit public benefit entities.

The full financial statement received an unqualified audit opinion.

2. Credit Risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Credit Union incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the entity.

Loan Security Analysis

	2021 \$000	2020 \$000
Secured by Mortgage Over Real Estate with LVR <70%	3,596	3,673
Secured by Mortgage over Real Estate with LVR 70%> <80%	360	–
Partially Secured by Motor Vehicles or Other Collateral	4,980	5,874
Secured by Police Superannuation or Government Superannuation	28,597	32,694
Unsecured	260	276
Credit Quality of Gross Loans to Members	37,793	42,517
Less Loan Impairment Allowance	(129)	(116)
Total Loans to Members	37,664	42,401

3. Liquidity Risk

Liquidity risk is the risk that PCU may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g., borrowing repayments. It is the policy of the Board of Directors that PCU maintains adequate cash reserves so as to meet the member withdrawal demands when requested.

Financial assets and liabilities have differing maturity profiles depending on the contractual term, and in the case of loans, the repayment amount and frequency. The associated table shows the period in which different financial assets and liabilities held will mature and be eligible for renegotiation or withdrawal.

Maturity Profile

	On Call \$000	Within 6 Months \$000	6 Months to 1 Year \$000	1 to 5 Years \$000	Over 5 Years \$000	Total \$000
30 June 2021						
Total Financial Assets 30 June 2021	5,922	46,902	37,378	51,700	15,263	157,165
Total Financial Liabilities 30 June 2021	75,607	35,836	10,465	3,351	-	125,259
30 June 2020						
Total Financial Assets 30 June 2020	4,636	45,812	44,604	45,359	17,314	157,725
Total Financial Liabilities 30 June 2020	64,556	35,737	13,613	4,566	-	118,472

4. Credit Rating

The Credit Union has been rated by Equifax. Equifax gives ratings from AAA through to C. The Credit Union has a long-term issuer default (IDR) rating of BBB- with a stable outlook, issued on 21 May 2021 (2020 BBB with a negative outlook).

Police Credit Union
Level 11, 57 Willis Street
Wellington 6011
New Zealand

0800 429 000

www.policecu.org.nz



Te Uniana Whakanama Pirihimana

POLICE HELPING POLICE