

The Representative Church Body – Report 2018

APPENDIX G

THE CHURCH OF IRELAND

CLERGY PENSIONS TRUSTEE DAC

REPORT ON THE CLERGY PENSIONS FUND

FOR THE

YEAR ENDED 31 DECEMBER 2017

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THE TRUSTEE AND ITS ADVISORS

Trustee	The Church of Ireland Clergy Pensions Trustee Designated Activity Company
Registered Office	Church of Ireland House, Church Avenue, Rathmines, Dublin 6 Tel 01-4978422 Email pensionstrustee@rcbdub.org Web www.ireland.anglican.org/clergypensions Company Registered in Ireland No 492302 The Representative Church Body is the sole member of the Company.
Trustee Directors	<i>Nominated by the RCB Executive Committee</i> Mr Terence Forsyth Mr Richard Milliken Mr Geoffrey Perrin* <i>Nominated by the Church of Ireland Pensions Board</i> Rt Rev Dr Paul Colton Mr Bruce Maxwell (Chair)
Company Secretary	Mr David Ritchie, Chief Officer and Secretary, Representative Church Body
Fund Management and Advisory	The Representative Church Body, Church of Ireland House, Church Avenue, Rathmines, Dublin 6
Investment Managers	The Representative Church Body (<i>address as above</i>) Irish Life Investment Managers, Beresford Court, Dublin 1
Investment Custodians	RCB – Northern Trust, Canary Wharf, London E14 5NT ILIM – Citibank, 1 North Wall Quay, Dublin 1
Scheme Actuary	Mr Liam Quigley, Mercer, Charlotte House, Charlemont Street, Dublin 2
Consulting Actuaries	Mercer Actuarial Services, Charlotte House, Charlemont Street, Dublin 2
Auditors	PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, Spencer Dock, Dublin 1
Solicitor	Mr Mark McWha, Senior Solicitor, Representative Church Body
Bankers	Bank of Ireland, College Green, Dublin 2 Bank of Ireland, Talbot Street, Dublin 1
Sponsor	The Representative Church Body, Church of Ireland House, Church Avenue, Rathmines, Dublin 6
Registered Administrator	The Representative Church Body, Church of Ireland House, Church Avenue, Rathmines, Dublin 6
Enquiries	The Company Secretary, Church of Ireland Clergy Pensions Trustee DAC, Church of Ireland House, Church Avenue, Rathmines, Dublin 6

The Clergy Pensions Fund is Pensions Authority Scheme no PB1667.

* retired on 31 December 2017 and succeeded by Mr Nigel Bell from 1 January 2018

INTRODUCTION

The Trustee presents its annual report on the operation of the Clergy Pensions Fund for the year ended 31 December 2017. The report covers the main areas of Fund activity including financial statements, actuarial and investment management, and also looks at developments during the year. The content of this report conforms to the Occupational Pensions Schemes (Disclosure of Information) Regulations, 2006 prescribed by the Minister for Social Protection under the Pensions Act 1990.

OPERATIONAL REPORT 2017

Financial position of the Fund

Year on year there was a small increase in the Fund assets with a closing value of €173.9m, having met benefit payments of €6.8m together with administrative and other costs of €0.2m.

Contributions to the Fund in the year were €2.4m, being the total value of diocesan pension levies and a contribution from the RCB. Investment return, including income and realised and unrealised investment gains, totalled €7.8m net of investment management expenses. The Fund is managed with the objective of meeting the cost of future liabilities from a combination of contributions, income and growth in investment value.

The Fund performance in the year contributed a total return of 4.7% against a benchmark return of 3.2%.

The referenced Government bond yields (French and UK) fell slightly in 2017 thereby increasing the liabilities of the Fund. However, long-term yields across Europe are artificially depressed by the actions of the European Central Bank (ECB). If Europe follows the path of the US, and allows a gradual return to more normal monetary conditions, then yields will rise and fund liabilities fall.

The development of the Fund is monitored by the Actuary and a full valuation is carried out at intervals of not more than three years and the final results presented to the Trustee. The last completed triennial valuation was as at 30 September 2015. This was the first full valuation since a Funding Proposal was agreed with the Pensions Authority in 2013, in response to the result of the previous triennial valuation which showed that the Fund did not satisfy the Minimum Funding Standard under Section 44 of the Pensions Act. The overall objective of the Funding Proposal is to restore the solvency of the Fund by 2023 through the implementation of a series of funding and cost saving initiatives.

In the 2015 triennial valuation the Actuary confirmed that the Fund did not satisfy the Minimum Funding Standard. Although there had been some improvement in the funding position this was not sufficient to warrant any change in the measures taken under the Funding Proposal. The next triennial valuation is due to take place in 2018.

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The Actuary is also required to undertake an annual assessment of the Fund. He has stated as at 31 December 2017 that he is “reasonably satisfied that the current Funding Proposal remains on track to achieve its objective” of solvency by 2023.

A summary of the key elements of the Funding Proposal is contained in Annex 2 to this report (page 142).

Copies of the Actuarial Funding Certificate and Funding Standard Reserve Certificate as submitted to the Pensions Authority following the most recent triennial valuation are included as Annex 3 to this report (page 143).

A copy of the Actuary’s Statement as at 31 December 2017 is included as Annex 4 (page 146).

Administrative duties

The Trustee is pleased to report that the Fund has been administered in accordance with all regulatory requirements during the year. Various duties in relation to the operation of the Fund were carried out during 2017 by the RCB administration department, the Church of Ireland Pensions Board and the RCB Investment Committee. The Trustee wishes to thank each of these for their assistance and support in its management of the Fund.

Membership

Details on the membership of the Fund are reported by the Church of Ireland Pensions Board in Annex 1 to this report (see page 136). The Fund was closed to new members and to future accruals of pensionable service on 31 May 2013.

Discretionary increases to pensions in payment

In accordance with the Rules of the scheme, annual discretionary increases to pensions in payment are permitted up to a maximum of 5% as the Trustee, on the advice of the Actuary and with the approval of the RCB, may determine. In view of the solvency position of the Fund and in accordance with the current Funding Proposal it was agreed during 2017 that no discretionary increases in pensions in payment be applied in 2018.

Pensionable Stipend

Pensionable Stipend is used to calculate the value of pension benefits payable. In accordance with the provisions of Chapter XIV of the *Constitution of the Church of Ireland*, levels of Pensionable Stipend for Northern Ireland and the Republic of Ireland are fixed annually by the Standing Committee on the recommendation of the Representative Church Body and the Trustee.

In accordance with the Funding Proposal for the Fund, it was agreed by the Standing Committee in September 2017, on the recommendation of the RCB and the Trustee, that Pensionable Stipend levels with effect from 1 January 2018 should remain unchanged from 2017 at £25,498 per annum in Northern Ireland and €36,219 per annum in the Republic of Ireland.

Statutory increases in UK pensions for service post April 1997

Under UK pensions legislation statutory increases must be applied to a pension which relates to service completed in that jurisdiction for the period (i) 6 April 1997 to 5 April 2005 or normal retirement age, if earlier, by the annualised rate of inflation up to a maximum of 5% and (ii) 6 April 2005 to date of retirement, whether that be on or before normal retirement age, by the annualised rate of inflation up to a maximum of 2.5%.

The UK annualised rate of inflation to September 2017 was 3%, therefore increases were applied on 1 January 2018 to the service periods outlined under both (i) and (ii) in the previous paragraphs.

There is no similar pensions legislation in the Republic of Ireland.

Deferred pensions

Deferred pensions are revalued in accordance with the relevant statutory provisions.

Additional Voluntary Contributions (AVC) fund

The report on the AVC Fund for 2017 is contained in the report from the Church of Ireland Pensions Board, set out in Annex 1 to this report (see page 138).

CONSTITUTION AND GOVERNANCE OF THE FUND

The Clergy Pensions Fund is a defined benefit scheme and is established under Chapter XIV of the *Constitution of the Church of Ireland* as amended from time to time by the General Synod.

The Fund has been approved by the Revenue Commissioners as a retirement benefits scheme under Part 30, Chapter I of the Taxes Consolidation Act, 1997, and is treated as an ‘exempt approved scheme’ for the purposes of that Act. In addition, the Fund, has been approved by the Board of the Inland Revenue of the United Kingdom as a retirement benefits scheme for the purposes of Chapter I, Part XIV, Income and Corporation Taxes Act 1988 and is treated as an ‘exempt approved scheme’ for the purposes of Section 592 of that Act in relation to its provision of pension benefits to those members of the clergy who are living in Northern Ireland.

The Trustee

The Church of Ireland Clergy Pensions Trustee Designated Activity Company is the sole Trustee of the Church of Ireland Clergy Pensions Fund and is responsible for the stewardship of the Fund assets in accordance with the provisions of Chapter XIV of the *Constitution of the Church of Ireland* (the Trust Deed and Rules of the Fund).

The powers and duties of the Trustee are set out in section 12(1) of Chapter XIV. In accordance with the provisions of Chapter XIV certain duties have been delegated by the Trustee to the Representative Church Body, the Church of Ireland Pensions Board and

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the RB Investment Committee. The Statement of the Trustee’s Responsibilities in relation to the financial statements is set out on page 122.

The Trustee Directors are appointed by the Representative Church Body, in accordance with the Articles of the company, on the nomination of the Church of Ireland Pensions Board and the Executive Committee of the Representative Church Body. Mr DG Perrin retired from office on 31 December 2017 in accordance with the Articles and Mr NS Bell was appointed a Director with effect from 1 January 2018.

The Trustee Directors and the administrators have access to a copy of the Trustee Handbook and Guidance notes issued by the Pensions Authority. The Trustee Directors have completed appropriate training for their duties and responsibilities. No costs or expenses were incurred by the Fund in respect of Trustee Director training during the year.

Management and administration of the Fund

The Representative Church Body was appointed by the Trustee as the Registered Administrator for the Fund. The duties of a registered administrator include preparing the Trustee Annual Report and Accounts, which should include at least the specific information set out in the regulations to the Pensions Act, and providing annual benefit statements to members. In addition to this, the RCB provides administration relating to investments, benefits and accounting controls.

The Church of Ireland Pensions Board also carries out certain duties relating to the administration of the Fund as delegated to the Board by the Trustee in accordance with the provisions of Chapter XIV of the *Constitution of the Church of Ireland*. A report from the Board is included in Annex 1 to this report (page 135).

Actuarial advice is provided by Mercer Actuarial Services, Dublin.

The RCB in-house investment team take overall responsibility for investment management, using Irish Life Investment Managers (ILIM) for the passive management of a proportion of the Fund (44% at year end 2017). Investment management is undertaken by investment managers in accordance with a formal fund management agreement. The costs in relation to administration, administrative actuarial advice and investment management are charged to the Fund.

During the year ended 31 December 2017 Northern Trust was the custodian of most of the funds managed by the RCB for the Fund, and Citibank was the custodian of the unit-linked funds held by Irish Life Investment Managers (ILIM) for the Fund. In addition to the records maintained by the custodians, ILIM maintains its own records of securities, and these securities are held beneficially in the name of Irish Life Assurance plc on behalf of the Trustee of the Fund.

Statement of Risk

Under law, the Trustee is required to describe the condition of the Fund and the risks associated with the Fund, and disclose these to members.

The Trustee is satisfied that it is taking all reasonable steps, including the appointment of experienced professional advisers and administrators, to protect the members of the Fund from the effects of these risks. However, it is not possible to guard against every eventuality, and it is necessary to take some investment risk and other risks in order to manage the affordability of the plan benefits and the capacity of the Sponsor and the Church to meet this commitment.

The full risk statement, which was last updated in 2015 and is reviewed annually, can be found in Annex 5 to this report (page 147).

Investment policy

The investment objective of the Fund is to optimise returns while meeting the future liabilities of the Fund over the long term through diversified portfolios of fixed interest, equity, property and cash holdings. The Trustee reviews investment objectives to ensure that they remain appropriate to the profile of the Fund.

The investment policy for the management of the assets of the Fund is set out in a Statement of Investment Policy Principles (SIPP), which was last updated in 2015 and is reviewed annually, and can be found at Annex 6 (page 149).

Following the closure of the Fund to new members and to future benefit accrual, agreed at General Synod 2013, a revised investment strategy was adopted by the Trustee. This was done in consultation with the Sponsor and having taken expert investment and actuarial advice, in order to satisfy the Funding Proposal agreed with the Pensions Authority.

A proportion of the equity and fixed interest elements of the Clergy Pensions Fund is managed by Irish Life Investment Managers on an indexed (passive) basis replicating the performance of particular indices. The balance of the Fund is managed by the RCB's in-house investment team according to the investment strategy adopted by the Trustee. Certain equities are excluded in accordance with the Representative Church Body's Environmental, Social and Governance Policy.

Internal Dispute Resolution

Under Irish pensions legislation all pension schemes are required to have an Internal Dispute Resolution (IDR) Procedure. Disputes arising in connection with the administration of a pension scheme may not be brought to the Pensions Ombudsman unless they have, in the first instance, been processed through that scheme's IDR Procedure.

The trustees of every occupational pension scheme are required to establish internal procedures for resolution of disputes and to set out certain steps which must be included in those procedures. The Trustee has put in place such an IDR Procedure, which was last updated in 2015 and is reviewed annually. The Procedure is available at www.ireland.anglican.org/clergypensions or from the Pensions Administration Manager.

Member information

An Explanatory Booklet, designed to give a broad outline of the Fund and the benefits provided, is available to any member on request from the Pensions Administration Manager.

Benefit Statements as at 31 May are issued annually to all Fund members.

Further information

Queries about the Fund generally, or about individual members' entitlements should be directed to The Pensions Administration Manager, Church of Ireland House, Church Avenue, Rathmines, Dublin 6 (email pensions@rcbdub.org, tel +353-(0)1-4125630).

Copies of Chapter XIV of the *Constitution of the Church of Ireland*, which constitutes the Trust Deed and Rules, can be obtained at www.ireland.anglican.org/clergypensions or from the Pensions Administration Manager.

Financial statements

The financial statements of the Clergy Pensions Fund are set out in the following pages.

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FINANCIAL STATEMENTS – PAGE 1

YEAR ENDED 31 DECEMBER 2017

THE CHURCH OF IRELAND CLERGY PENSIONS FUND

FINANCIAL STATEMENTS 2017

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TRUSTEE AND ADVISORS AND OTHER INFORMATION

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Trustee

The Church of Ireland Clergy Pensions Trustee DAC
Church of Ireland House
Church Avenue
Rathmines
Dublin 6

Actuaries

Mercer Actuarial Services
Charlotte House
Charlemont Street
Dublin 2

Auditors

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
One Spencer Dock
North Wall Quay
Dublin 1

Investment Managers

The Representative Church Body
Church of Ireland House
Church Avenue
Rathmines
Dublin 6

Irish Life Investment Managers
Beresford Court
Dublin 1

Sponsor

The Representative Church Body
Church of Ireland House
Church Avenue
Rathmines
Dublin 6

Solicitors

Mr Mark McWha
Senior Solicitor
The Representative Church Body

THE CHURCH OF IRELAND CLERGY PENSIONS FUND

STATEMENT OF THE TRUSTEE'S RESPONSIBILITIES

PAGE 4

The financial statements are the responsibility of the Trustee. Irish pensions legislation requires the Trustee to make available for each scheme year the annual report of the scheme, including audited financial statements and the report of the auditor. The financial statements are required to show a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the financial transactions for the scheme year and the asset and liabilities (other than liabilities to pay benefits in the future) at the end of the scheme year and include a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice - Financial Reports of Pension Schemes (revised December 2014) (SORP), subject to any material departures disclosed and explained in the financial statements.

Accordingly, the Trustee must ensure that in the preparation of the scheme financial statements:

- suitable accounting policies are selected and then applied consistently;
- reasonable and prudent judgements and estimates are made; and
- the SORP is followed, or particulars of any material departures are disclosed and explained.

The Trustee confirms that it has complied with the above requirements in preparing the financial statements.

The Trustee is required by law to have appropriate procedures in place throughout the year under review, to ensure that:

- contributions payable are received by the Trustee in accordance with the timetable set out in section 58A of the Act where applicable to the contributions and otherwise within 30 days of the end of the scheme year; and
- contributions payable are paid in accordance with the rules of the Fund.

During the year such procedures were always applied on a timely basis and contributions have been paid in accordance with the rules.

The Trustee is responsible for ensuring that proper membership and financial records are kept on a timely basis sufficient to enable an Annual Report to be prepared for the scheme containing the information specified in Regulation 7 of the Occupational Pension Schemes (Disclosure of Information) Regulations 2006. It is also responsible for safeguarding the assets of the pension scheme and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities, including the maintenance of an appropriate system of internal control.



Independent auditors' report to the trustee of the Church of Ireland Clergy Pensions Fund

Report on the audit of the financial statements

Opinion

In our opinion, the Church of Ireland Clergy Pensions Fund's financial statements:

- give a true and fair view of the financial transactions of the scheme during the year ended 31 December 2017 and of the amount and disposition of the assets and liabilities (other than liabilities to pay pensions and other benefits in the future) at that date; and
- have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and promulgated by the Institute of Chartered Accountants in Ireland and Irish law).

We have audited the financial statements, included within the Annual Report, which comprise:

- the statement of net assets as at 31 December 2017;
- the fund account for the year then ended;
- the accounting policies; and
- the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law.

Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the scheme's ability to continue as a going concern.



Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the trustee for the financial statements

As explained more fully in the statement of trustee's responsibilities set out on page 4, the trustee is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The trustee is also responsible for such internal control as the trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The trustee is also responsible for ensuring that contributions are made to the scheme in accordance with the scheme's rules.

In preparing the financial statements, the trustee is responsible for assessing the scheme's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the trustee either intends to wind up the scheme or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Irish Auditing and Accounting Supervisory Authority website at: https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202d9c3a/Description_of_auditors_responsibilities_for_audit.pdf.

This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the trustee as a body in accordance with section 56 of the Pensions Act 1990, as amended and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



Other required reporting

Occupational Pension Schemes (Disclosure of Information) Regulations, 2006

In our opinion:

- The financial statements include the information specified in Schedule A to the Occupational Pension Schemes (Disclosure of Information) Regulations, 2006 which is applicable and material to the scheme;
- the contributions payable to the scheme during the year ended 31 December 2017 have been received by the trustee within thirty days of the end of the scheme year; and
- such contributions have been paid in accordance with the rules of the scheme.

Price waterhouseCoopers
PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
16 March 2018

THE CHURCH OF IRELAND CLERGY PENSIONS FUND

ACCOUNTING POLICIES

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The significant accounting policies adopted by the Trustee are as follows:

(i) Basis of preparation

The financial statements have been prepared in accordance with The Occupational Pension Schemes (Disclosure of Information) Regulations (2006), and the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pensions Schemes (Revised December 2014).

(ii) Investments

A proportion of the invested assets is managed by Irish Life Investment Managers and is held in unitised funds. This fund tracks a range of published equity and bond indices. The value of the units at the year end reflects the relative performance of these indices and the value of the relevant underlying stocks. The balance of funds are managed by the Representative Church Body. The split of the invested assets is shown in Note 6 to these accounts.

(iii) Investment Income

The invested assets managed by Irish Life Investment Managers are held in unitised funds. The income is attributed to the funds as it arises and is not separately reported. Income from directly held assets under Representative Church Body management is paid to the Fund and accounted for in the period.

(iv) Financial Risk

The Trustee is responsible for managing financial risk arising in connection with the invested assets of the Fund. This responsibility is discharged through the diversification of the investment portfolio across sectors and geographies and focus on established stocks quoted on published exchanges.

(v) Foreign Currencies

Balances and transactions denominated in foreign currencies have been translated into euro at the rate of exchange ruling at the year end. (2017 €1 = £0.8881; 2016 €1 = £0.8535).

(vi) Benefits

The pension benefits are secured by contributions to a separately administered defined benefits scheme in accordance with the provisions of Chapter XIV of the *Constitution of the Church of Ireland* as amended from time to time by the General Synod. Benefits are accounted for in the year in which they fall due. Liabilities to pay pensions and other benefits in the future are not accrued.

THE CHURCH OF IRELAND CLERGY PENSIONS FUND

ACCOUNTING POLICIES (CONTINUED)

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(vii) Contributions

Normal contributions from the dioceses/parishes are accounted for on an accruals basis. Augmentation contributions are accounted for in accordance with the agreement under which they are paid, or in the absence of such an agreement, when received.

(viii) Transfers to and from other Schemes

Transfer values represent the capital sums either receivable in respect of members from other pension schemes of previous employers, or payable to the pension schemes of new employers for members who have left the Scheme. They are accounted for on a cash basis or, where the Trustee has agreed to accept the liability in advance of receipt of funds, on an accruals basis from the date of the agreement.

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FUND ACCOUNT **YEAR ENDED 31 DECEMBER 2017**

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CONSOLIDATED FUND

	Notes	2017 €'000	2016 €'000
CONTRIBUTIONS AND OTHER RECEIPTS			
Contributions	3	2,395	2,428
		<u>2,395</u>	<u>2,428</u>
BENEFITS AND OTHER PAYMENTS			
Benefits paid	4	6,793	7,295
Administrative expenses		157	153
		<u>6,950</u>	<u>7,448</u>
NET (DECREASE)		<u>(4,555)</u>	<u>(5,020)</u>
RETURNS ON INVESTMENTS			
Investment Income	5	2,621	2,323
Realised and unrealised investment gains		5,224	2,925
Currency (loss)		(16)	(186)
Investment management expenses		(60)	(70)
NET RETURNS ON INVESTMENTS		<u>7,769</u>	<u>4,992</u>
NET INCREASE/(DECREASE) IN FUND IN THE YEAR		3,214	(28)
BALANCE 1 JANUARY		<u>170,665</u>	<u>170,693</u>
BALANCE 31 DECEMBER		<u>173,879</u>	<u>170,665</u>

The fund has no recognised gains or losses other than those dealt with in the Fund Account.

Signed on behalf of the Trustee: *WP Colton*

NS Bell

Date:

13 March 2018

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THE CHURCH OF IRELAND CLERGY PENSIONS FUND

STATEMENT OF NET ASSETS

YEAR ENDED 31 DECEMBER 2017

FINANCIAL STATEMENTS

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CONSOLIDATED FUND

	Notes	2017 €'000	2016 €'000
INVESTMENT ASSETS	6	<u>173,650</u>	<u>170,178</u>
CURRENT ASSETS			
Cash due from the Representative Church Body		229	487
CURRENT LIABILITIES			
Creditors		<u>-</u>	<u>-</u>
NET CURRENT ASSETS		<u>229</u>	<u>487</u>
NET ASSETS		<u><u>173,879</u></u>	<u><u>170,665</u></u>

Signed on behalf of the Trustee: WP Colton

NS Bell

Date:

13 March 2018

THE CHURCH OF IRELAND CLERGY PENSIONS FUND

NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

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1 FUND STATUS

The Clergy Pensions Fund, which is a defined benefit scheme, is established under Chapter XIV of the *Constitution of the Church of Ireland* as amended from time to time by the General Synod. The Fund has been approved by the Revenue Commissioners as a retirement benefits scheme under Part 30, Chapter I of the Taxes Consolidation Act, 1997, and is treated as an 'exempt approved scheme' for the purposes of that Act. In addition, the Fund has been approved by the Board of the Inland Revenue of the United Kingdom as a retirement benefits scheme for the purposes of Chapter I, Part XIV, Income and Corporation Taxes Act 1988 and is treated as an 'exempt approved scheme' for the purposes of Section 592 of that Act in relation to its provision of pension benefits to those members of the clergy who are living in Northern Ireland.

The Fund closed to new entrants and to future accruals as at 31 May 2013. A Funding Proposal to bring the Fund back to full solvency was submitted to and accepted by the Pensions Authority in 2013. The Funding Proposal included revenue to be raised through the introduction of a levy of 13% of Minimum Approved Stipend, to be collected through the dioceses.

2 FORMAT OF THE FINANCIAL STATEMENTS

The financial statements summarise the transactions and net assets of the scheme. They do not take account of liabilities to pay pensions and other benefits expected to become payable in the future. The actuarial position of the Fund, which takes account of such obligations, is dealt with in the Trustee's report, the actuarial funding certificate and the actuary's annual certificate within this report, and these financial statements should be read in conjunction with them.

3 SUMMARY OF CONTRIBUTIONS

	2017	2016
	€'000	€'000
Diocesan levies	2,304	2,335
Representative Church Body	<u>91</u>	<u>93</u>
Total	<u>2,395</u>	<u>2,428</u>

The value of Northern Ireland contributions in sterling is £1.08m (2016: £1.09m) and was translated to euro at the year end rate of 0.8881 (2016: 0.8535).

The value of Republic of Ireland contributions is €1.17m (2016: €1.15m).

THE CHURCH OF IRELAND CLERGY PENSIONS FUND

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FINANCIAL STATEMENTS

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4 BENEFITS PAID

	2017	2016
	€'000	€'000
Pensions to retired bishops and clergy	4,483	4,605
Pensions to surviving spouses and orphans	2,177	2,300
Commutation of pensions	133	145
Death benefits	-	245
Total	<u>6,793</u>	<u>7,295</u>

The cost of Northern Ireland benefits in sterling is £3.21m (2016: £3.45m). This cost excludes administration charges and the pension levy.

The cost of Republic of Ireland benefits in euro is €3.18m (2016: €3.25m). This cost excludes administration charges and the pension levy.

5 ANALYSIS OF INVESTMENT INCOME

	2017	2016
	€'000	€'000
Investment income	2,593	2,285
Interest	21	33
Miscellaneous trust income	6	4
Securities Lending	1	1
Total	<u>2,621</u>	<u>2,323</u>

The investment income above relates to the income paid to the Clergy Pensions Fund by investments managed by the Representative Church Body (RCB). The balance of the funds is held in a unitised fund passively managed by Irish Life Investment Managers (ILIM). The income on these funds is reinvested in the fund and is not separately reported.

THE CHURCH OF IRELAND CLERGY PENSIONS FUND**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED****FINANCIAL STATEMENTS****PAGE 14**

	2017		2016	
	Market Value €'000	% of Fund	Market Value €'000	% of Fund
6 INVESTED ASSETS				
ILIM managed				
Equities				
UK	15,946	9.2%	17,114	10.1%
Europe ex UK	15,833	9.1%	15,284	9.0%
Global	15,363	8.8%	15,260	9.0%
Bonds				
European	13,365	7.7%	16,294	9.6%
UK	15,212	8.8%	14,913	8.8%
	<u>75,719</u>	<u>43.6%</u>	<u>78,865</u>	<u>46.4%</u>
In-house managed				
Property	13,868	8.0%	13,165	7.7%
Bonds and Bond Substitutes	41,644	24.0%	34,184	20.1%
Equities	18,216	10.5%	13,858	8.1%
Other	11,355	6.5%	10,818	6.4%
Cash on deposit	12,848	7.4%	19,288	11.3%
	<u>97,931</u>	<u>56.4%</u>	<u>91,313</u>	<u>53.7%</u>
	<u><u>173,650</u></u>	<u><u>100.0%</u></u>	<u><u>170,178</u></u>	<u><u>100.0%</u></u>

THE CHURCH OF IRELAND CLERGY PENSIONS FUND

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FINANCIAL STATEMENTS

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7 CONTINGENT LIABILITIES

As stated in the accounting policies on page 8 of the Financial Statements, liabilities to pay pensions and other benefits in the future have not been taken into account. On that basis, in the opinion of the Trustee the scheme had no contingent liabilities at 31 December 2017.

8 ADMINISTRATIVE AND INVESTMENT MANAGEMENT EXPENSES

The costs of investment management and administration are substantially borne by the Fund. The balance of these costs is borne by the Sponsor.

9 RELATED PARTY TRANSACTIONS

- (a) The Trustee: The Trustee of the Fund is as set out on page 3 of the Financial Statements.
- (b) Remuneration of the Trustee: The Trustee does not receive and is not due any remuneration from the Fund in connection with its responsibilities as Trustee.
- (c) Sponsor: The Representative Church Body acts as the Sponsor for the Clergy Pensions Fund. Contributions to the scheme are made in accordance with funding arrangements agreed with the Actuary from time to time.
- (d) The Administrator: The Representative Church Body is the Registered Administrator of the scheme and is remunerated on a fee basis.
- (e) The Investment Manager: Irish Life Investment Managers and the Representative Church Body were appointed by the Trustee to manage the Fund's assets. Irish Life Investment Managers is remunerated on a fee basis calculated as a percentage of the assets under management. These fees are borne by the fund.

THE CHURCH OF IRELAND CLERGY PENSIONS FUND

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FINANCIAL STATEMENTS

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	2017 €'000	2016 €'000
10 SUB DIVISIONS		
REPUBLIC OF IRELAND		
Contributions	1,174	1,152
Net benefits and other payments	(3,335)	(3,407)
Net transfer between sub divisions	(485)	(2,280)
Net (decrease)	(2,646)	(4,535)
Net returns on investments	3,973	2,580
Balance 1 January	83,611	85,566
	<u>84,938</u>	<u>83,611</u>
NORTHERN IRELAND		
Contributions	1,221	1,276
Net benefits and other payments	(3,615)	(4,041)
Net transfer between sub divisions	485	2,280
Net (decrease)	(1,909)	(485)
Net returns on investments	3,796	2,412
Balance 1 January	87,054	85,127
	<u>88,941</u>	<u>87,054</u>
CONSOLIDATED FUND		
Contributions	2,395	2,428
Net benefits and other payments	(6,950)	(7,448)
Net (decrease)	(4,555)	(5,020)
Net returns on investments	7,769	4,992
Balance 1 January	170,665	170,693
	<u>173,879</u>	<u>170,665</u>

11 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Trustee on 13 March 2018.

ANNEX 1

**REPORT OF THE CHURCH OF IRELAND PENSIONS BOARD
TO THE CHURCH OF IRELAND CLERGY PENSIONS TRUSTEE DAC**

Members/Meetings of the Board

There were three meetings of the Board in 2017, two prior to and one after the General Synod.

Elected by the House of Bishops

Rt Rev John McDowell (0)

Elected by the General Synod

Canon Lady Sheil (3)

Rev John Auchmuty (2)

Mrs Cynthia Cherry (3)

Elected by the Representative Church Body

Mrs Judith Peters (2)

Mr Geoffrey Perrin (2)

Mr Owen Driver (3)

Chairperson – Canon Lady Sheil

Vice-Chairperson – Mr Geoffrey Perrin

Honorary Secretary – Rt Rev John McDowell

Pensions Administration Manager – Mr Peter Connor

Grants Committee

Canon Lady Sheil

Mrs Judith Peters

Rev John Auchmuty

Office: Church of Ireland House
Church Avenue
Rathmines
Dublin 6

Tel no (+3531) 4978422
Fax no (+3531) 4978821
Email pensions@rcbdub.org

1. INTRODUCTION

Under section 22(3) of Chapter XIV of the *Constitution of the Church of Ireland* the Trustee has delegated to the Church of Ireland Pensions Board (“the Board”) certain of the duties as set out in section 22(1) of the said Chapter including those relating to membership, contributions and benefits. This report summarises statistical data in relation to those matters.

The Report of the Church of Ireland Pensions Board on other funds administered by it, as delegated by the Representative Church Body (RCB), is found in Appendix H to the Report of the RCB (*Church of Ireland General Synod Reports 2018*, page 152).

2. MEMBERSHIP OF THE BOARD

The Board consists of seven members who are elected triennially in accordance with Section 25 of Chapter XIV of the *Constitution*.

3. MEMBERSHIP OF THE FUND

The table below shows the movement during the year across the various membership categories. The accompanying graph shows the age profile of the active members.

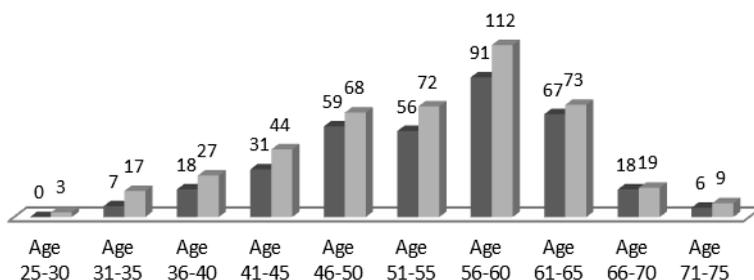
	Active members	Deferred members	Pensioners	Spouses on pension
At 1 January 2017	370	112	293	191
Leavers with deferred benefits	(6)	6	-	-
Leavers taking benefits elsewhere	-	-	-	-
Deaths before retirement	-	-	-	-
Retirements on pension	(12)	(8)	20	-
Returned to active service	1	-	(1)	
Deaths on pension	-	-	(14)	(19)
New spouses' pensions	-	-	-	10
At 31 December 2017	353	110	298	182 ¹

In addition there were 12 child dependency allowances in payment at 31 December 2017 (12 at 31 December 2016).

¹ The total of 182 includes 6 widows of members who either retired or died before 1976 and 7 widows of voluntary members.

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■ CPF Members - total 353 ■ All Stipendiary Clergy - total 444



Age distribution of stipendiary clergy

There are five clergy who commenced in the stipendiary ministry before 31 May 2013 who are not members of the Fund having sought and been granted exemption on entering service and there is one who elected to leave the Fund and make independent pension arrangements.

4. RETIREMENT AGE

The revised Normal Retirement Age (NRA) from 1 June 2013 (for contributing members of the Fund as at 31 May 2013) is in accordance with the following table:

Date of birth	Normal Retirement Age	Number of members in each retirement age category at 31 December 2017
31 May 1949 and before	65	10
1 June 1949 to 31 May 1954	66	40
1 June 1954 to 31 May 1959	67	78
1 June 1959 and after	68	225

Members who joined/re-joined the Fund on or after 1 January 2009 have an NRA of not less than 67.

Under statutory pension regulations Deferred Members will retain the NRA applicable at their date of leaving the service of the Church of Ireland.

5. PENSIONS IN PAYMENT

The annualised pensions etc in payment at 1 January 2018 are:

	€		£
Clergy	2,016,544	and	2,234,401
Surviving spouses and orphans	1,100,265	and	898,674
	3,116,809	and	3,133,075

The total annualised pensions in payment translated to euro at the year end exchange rate of 0.8881 are €6,644,649.

6. CONTRIBUTIONS

A contribution from central funds amounting to €91,493 was made during the year in accordance with Section 37 of Chapter XIV of the *Constitution of the Church of Ireland*.

7. LUMP SUM BENEFITS

Under the provisions of the Fund a cash lump sum is payable in a number of eventualities. During 2017 lump sums totalling €62,400 and £63,200 became payable in respect of 6 members as follows:

Died in service (0); died within five years following retirement (0); paid on retirement (6); deferred pension (0).

8. EXTERNAL CONTACTS FOR INFORMATION AND SUPPORT

The Board has compiled a guide towards external sources of information and help to assist chaplains who support retired clergy and surviving spouses. A copy of the guide is available on request from the Pensions Administration Manager (email pensions@rcbdub.org).

9. ADDITIONAL PERSONAL CONTRIBUTIONS (APCs)

With the closing of the Clergy Pensions Fund to future accruals on 31 May 2013, the additional service which members were purchasing to give them up to a maximum of 40 years' service at normal retirement age was recalculated to reflect the service purchased to 31 May 2013.

There remain 75 members in active service who purchased additional service to 31 May 2013.

10. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

Members of the Church of Ireland Clergy Pensions Fund are permitted to make Additional Voluntary Contributions (AVC) which are invested with the Standard Life

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Assurance Company to provide additional benefits within the overall limits allowed by the Revenue authorities.

AVCs are unaffected by the closure of the Clergy Pensions Fund to future accruals.

Copies of the Regulations and explanatory memorandum in relation to AVCs may be obtained on request from the Pensions Administration Manager.

(i) Membership of the AVC Fund as at 31 December 2017

	Membership 31/12/16	New Contributors	Death in Service	Fund Transfers	Retired	Membership 31/12/17
RI	18	0	0	1	4	13
NI	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
Total	21	0	0	1	4	16
Previous Year	24	0	0	1	2	21

Standard Life is the provider of the AVC facility. Contributions may be invested with them in a range of Funds as provided by the Tower Pension Series for those contributors who reside in the Republic of Ireland or the Castle Pension Series for those contributors who reside in Northern Ireland.

(ii) AVC Fund Statement of Contributions

	2017 €'000	2016 €'000
Contributions received	11	31
Less paid on retirement or death	(276)	(201)
Less transfers to Clergy DC Scheme	(187)	(10)
Realised Gain on retirement and transfers to the Clergy DC Scheme	188	49
	<u>(264)</u>	<u>(131)</u>
Balance 1 January	471	607
Currency Translation Adjustment	(1)	(5)
Balance 31 December	<u><u>206</u></u>	<u><u>471</u></u>

NOTES

1. A resolution adopted by the General Synod on 12 May 2012 transferred the role of trustee from the Representative Body to the Church of Ireland Clergy Pensions Trustee DAC.
2. Under the Scheme members are permitted to make voluntary contributions which are invested with the Standard Life Assurance Company to provide additional benefits within the overall limits allowed by the Revenue authorities. The balance at the year end represents the net accumulation of members' contributions which have been transferred to the Standard Life Assurance Company by the Trustee. The value of the investments underlying these contributions is not reflected in the statement.
3. Sterling balances and transactions have been translated to euro at the rate of exchange ruling at 31 December 2017 €1 = £0.8881 (2016 €1 = £0.8535).

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The Church of Ireland Clergy Pension Trustee Limited
Representative Church Body
Church of Ireland House
Church Avenue
Rathmines

16 March 2018

Dear Sirs

Chartered Accountants' report on the unaudited financial information of the Church of Ireland Clergy Pensions Fund Additional Voluntary Contributions

In accordance with our engagement letter dated 20 November 2017 we have compiled the entity's financial information which comprises the Statement of Contributions from the accounting records and information and explanations you have given us.

The financial information has been compiled on the basis set out in the accounting policies set out in the financial information.

This report is made to you in accordance with the terms of our engagement. Our work has been undertaken so that we might compile the financial information that we have been engaged to compile, for management purposes. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than you for our work or for this report.

We have carried out this engagement in accordance with technical guidance in M48 'Chartered Accountants' Reports on the Compilation of Historical Financial Information of Unincorporated Entities' issued by the Institute of Chartered Accountants in Ireland (ICAI) and have complied with the ethical guidance laid down by the ICAI relating to members undertaking the compilation of historical financial information.

You have approved the financial information for the year ended 31 December 2017 and have acknowledged your responsibility for it, including the creation and maintenance of all accounting and other records supporting it and the appropriateness of the accounting basis on which it has been compiled, and for providing us with all information and explanations necessary for its compilation.

We have not been instructed to carry out an audit of the financial information. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations given to us by you and we do not, therefore, express any opinion on the financial information.


PricewaterhouseCoopers
Chartered Accountants
Dublin
16 March 2018

ANNEX 2

**CLERGY PENSIONS FUND -
SUMMARY OF FUNDING PROPOSAL
AS AGREED BY THE PENSIONS AUTHORITY**

In June 2013 a Funding Proposal designed to bring the Clergy Pensions Fund ('the Fund') back to solvency over a ten-year period was submitted to and agreed by the Pensions Authority (then *An Bord Pinsean*).

The main requirements of the Funding Proposal are set out below. Progress is monitored annually and the Fund is subject to triennial valuation. Any significant variations from progress towards solvency would result in a further Funding Proposal having to be submitted.

To return the Fund to solvency by 2023 the following provisions have been put in place:

- The Fund has been closed to new entrants and to future accrual of benefits as from 31 May 2013.
- The Normal Retirement Age will gradually increase to a current maximum of 68 years for those aged 53 years or younger as at 31 May 2013, with staged increases for those aged above 53 years on that date.
- There will be no discretionary increases to pensions in payment or Pensionable Stipend during the Funding Proposal period unless the Actuary is satisfied that such increases would not jeopardise the Funding Proposal.
- As the funding of the Clergy Pensions Fund is a responsibility of the whole Church, an annual levy to contribute towards solvency is being raised from dioceses in respect of cures and other recognised offices at a rate of 13% of Minimum Approved Stipend.
- The Representative Church Body in 2014 completed the transfer of the last of five tranches of €5m from General Funds in the form of special funding and will further provide an amount of €0.1m per annum over the life of the Funding Proposal.

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ANNEX 3

ACTUARIAL FUNDING CERTIFICATE



An tÚdarás Pinsean
The Pensions Authority

SCHEDULE BD

Article 4

ACTUARIAL FUNDING CERTIFICATE

THIS CERTIFICATE HAS BEEN PREPARED UNDER THE PROVISIONS OF SECTION 42(1) OF THE PENSIONS ACT 1990 (the ACT) FOR SUBMISSION TO THE PENSIONS AUTHORITY BY THE TRUSTEES OF THE SCHEME

SCHEME NAME: The Church of Ireland Clergy Pensions Fund

SCHEME COMMENCEMENT DATE: 01/01/1976

SCHEME REFERENCE NO.: PB1667

EFFECTIVE DATE: 30/09/2015

EFFECTIVE DATE OF PREVIOUS CERTIFICATE (IF ANY): 30/09/2012

On the basis of information supplied to me, having complied with any guidance prescribed under section 42(4)(b) of the Act and, subject thereto, having regard to such financial and other assumptions as I consider to be appropriate, I am of the opinion that at the effective date of this certificate:-

(1) the resources of the scheme, which are calculated for the purposes of section 44(1) of the Act to be €165,954,000.00, would not have been sufficient if the scheme had been wound up at that date to provide for the liabilities of the scheme determined in accordance with section 44(1) of the Act which, including the estimated expenses of administering the winding up of the scheme, amount to €184,044,000.00, and

(2) €0.00 of the resources of the scheme referred to in paragraph (1) comprise contingent assets, in accordance with and within the meaning of the guidance issued by the Authority and prescribed under section 47 of the Act.

I, therefore, certify that as at the effective date of this certificate the scheme does not satisfy the funding standard provided for in section 44(1) of the Act.

I further certify that I am qualified for appointment as actuary to the scheme for the purposes of section 51 of the Act.

Signature:

Date:

21/03/2016

Name:

Mr Liam Quigley

Qualification:

FSAI

Name of Actuary's Employer/Firm

Mercer Limited

Scheme Actuary Certificate No.

P044

Submission Details

Submission Number: SR1119927

Submitted Electronically on: 21/03/2016

Submitted by: Liam Quigley

FUNDING STANDARD RESERVE CERTIFICATE



An tÚdarás Pinsean
The Pensions Authority

SCHEDULE BE

Article 4

FUNDING STANDARD RESERVE CERTIFICATE

THIS CERTIFICATE HAS BEEN PREPARED PURSUANT TO SECTION 42(1A) OF THE PENSIONS ACT 1990 (the ACT) FOR SUBMISSION TO THE PENSIONS AUTHORITY BY THE TRUSTEES OF THE SCHEME

SCHEME NAME: The Church of Ireland Clergy Pensions Fund

SCHEME COMMENCEMENT DATE: 01/01/1976

SCHEME REFERENCE NO.: PB1667

EFFECTIVE DATE: 30/09/2015

EFFECTIVE DATE OF PREVIOUS CERTIFICATE (IF ANY): 30/09/2012

On the basis of information supplied to me, having complied with any guidance prescribed under section 42(4)(b) of the Act and, subject thereto, having regard to such financial and other assumptions as I consider to be appropriate, I am of the opinion that at the effective date of this certificate:-

(1) the funding standard liabilities (as defined in the Act) of the scheme amount to €184,044,000.00,

(2) the resources of the scheme (other than resources which relate to contributions or a transfer of rights to the extent that the benefits provided are directly related to the value of those contributions or amount transferred (DC resources)), calculated for the purposes of section 44(1) of the Act amount to €165,954,000.00,

(3) €44,426,000.00, of the amount referred to in paragraph (2) (subject to a maximum of an amount equal to the funding standard liabilities) is invested in securities issued under section 54(1) of the Finance Act 1970 (and known as bonds), securities issued under the laws of a Member State (other than the State) that correspond to securities issued under section 54(1) of the Finance Act 1970, cash deposits with one or more credit institutions and such other assets (if any) as are prescribed under section 44(2)(a)(iv) of the Act,

(4) the amount provided for in section 44(2)(a) of the Act (Applicable Percentage x ((1) minus (3))) is €13,962,000.00,

(5) the amount provided for in section 44(2)(b) of the Act, being the amount by which the funding standard liabilities of the scheme would increase if the interest rate or interest rates assumed for the purposes of determining the funding standard liabilities were one half of one per cent less than the interest rate or interest rates (as appropriate) assumed for the purposes of determining the funding standard liabilities less the amount by which the resources of the scheme (other than DC resources) would increase as a result of the same change in interest rate or interest rates is €5,028,000.00,

(6) the aggregate of (4) and (5) above amounts to €18,990,000.00, and

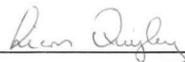
(7) the additional resources (as defined in the Act) of the scheme amount to €0.00, of which, in accordance with and within the meaning of the guidance issued by the Authority and prescribed under section 47 of the Act, €0.00 comprises contingent assets and €0.00 of such contingent assets comprise an unsecured undertaking.

I therefore certify that as at the effective date of the funding standard reserve certificate, the scheme does not hold sufficient additional resources to satisfy the funding standard reserve as provided in section 44(2) of the Act.

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I further certify that I am qualified for appointment as actuary to the scheme for the purposes of section 51 of the Act.

Signature:



Date:

21/03/2016

Name:

Mr Liam Quigley

Qualification:

FSAI

Name of Actuary's:
Employer/Firm

Mercer Limited

Scheme Actuary
Certificate No.

P044

Submission Details

Submission Number: SR1119960

Submitted Electronically on: 21/03/2016

Submitted by: Liam Quigley

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ANNEX 4

ACTUARY'S STATEMENT



Church of Ireland Clergy Pensions Fund
Year ended 31 December 2017

Pensions Authority reference number: PB1667

Actuary's Statement

An Actuarial Funding Certificate was submitted to the Pensions Authority with an effective date of 30 September 2015. This certificate confirmed that at the effective date, the scheme did not satisfy the Minimum Funding Standard set out in Section 44 of the Pensions Act, 1990. A Funding Proposal is currently in place with the objective of putting the scheme in a position to satisfy the funding standard by 31 December 2023. This extended date was granted by the Pensions Authority at the request of the Trustees.

I have undertaken an actuarial assessment to consider whether the funding proposal remains on track to achieve its objectives. This assessment is undertaken in accordance with guidance set down by the Society of Actuaries in Ireland. It reflects known developments in relation to the assets and liabilities and also assumptions about the future.

On the basis of the assumptions employed, the Scheme's assets were projected to exceed the projected Funding Standard Liability and Funding Standard Reserve at 31 December 2023. Accordingly I can confirm that I am reasonably satisfied that the current Funding Proposal remains on track to achieve its objective.

Liam Quigley
Fellow of the Society of Actuaries in Ireland
Certificate number: P044
Date: 13 March 2018

ANNEX 5

STATEMENT OF RISK IN RELATION TO THE CHURCH OF IRELAND CLERGY PENSIONS FUND (THE “FUND”)

Under law, the Trustee is required to describe the condition of the Fund and the risks associated with the Fund, and disclose these to members.

The Fund operates on a ‘defined benefit’ basis and has been closed to future service accrual and to new members with effect from 31 May, 2013. The Fund is subject to a Funding Proposal agreed with the Pensions Authority with the intention of returning it to solvency by 2023. The risks in such an arrangement are generally classified as financial or operational. In any defined benefit arrangement, the main risk is that there will be a shortfall in the assets (for whatever reason) and the employer/sponsor will not be willing or able to pay the necessary contributions to make up the shortfall. If that occurs, members may not receive their anticipated benefit entitlements. Some of the reasons why a shortfall could occur are as follows (this list may not be exhaustive):

- The assets of the pension fund may grow more slowly than expected, or even fall in value, depending on the performance of underlying markets and the securities chosen. Where the scheme is subject to a Funding Proposal and, being closed to future service accrual, has an ageing profile, the requirement to invest in assets to match the future liability leads to a reduction in the opportunity to invest in growth assets.
- Similarly, the liabilities may grow faster than expected due to higher salary or pension increases, or due to unfavourable movements in interest rates, or due to mortality and other elements of the fund’s experience varying from the assumptions made.
- The administration of the fund may fail to meet acceptable standards. The fund could fall out of statutory compliance, the fund could fall victim to fraud or negligence, or the benefits communicated to members could differ from the liabilities valued by the Actuary.

In these circumstances, there may be insufficient assets available to pay benefits, leading to a requirement to change the benefit structure or to seek higher contributions. The employer/sponsor may decide not to pay these increased contributions.

Another risk is that the employer/sponsor may for some reason decide to cease its liability to contribute to the pension fund. In this event, the fund may be wound up and accrued entitlements would be discharged from the available assets (which may or may not be sufficient to discharge member benefit expectations, as outlined above). In accordance with Section 20 of Chapter XIV of the *Constitution of the Church of Ireland* it would require a decision to be taken at the General Synod for the Fund to be wound up.

Various actions have been taken by the Trustee to mitigate the risks. The investment strategy is reviewed regularly to ensure that it is consistent with the needs of the Fund as well as meeting the requirements arising under the Funding Proposal. Professional

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investment managers have been appointed to manage the Clergy Pensions Fund assets, which are invested in a range of diversified assets. There is regular monitoring of how these investments are performing. An actuarial valuation of the Fund is carried out at least every three years to assess the financial condition of the Fund and determine the rate of contributions required to meet the future liabilities of the Fund. In addition, an annual review of the solvency position of the Fund is carried out on the assumption that it is wound up at that time.

The Trustee is satisfied that it is taking all reasonable steps, including the appointment of experienced professional advisers and administrators, to protect the members of the Fund from the effects of these risks. However, it is not possible to guard against every eventuality, and it is necessary to take some investment risk and other risks in order to manage the affordability of the Plan benefits and the capacity of the employer/sponsor to meet this commitment.

Last updated September 2015
Reviewed October 2017

ANNEX 6

CHURCH OF IRELAND CLERGY PENSIONS FUND

STATEMENT OF INVESTMENT POLICY PRINCIPLES

1. Introduction

The Church of Ireland Clergy Pensions Trustee DAC (the “Trustee”) of the Church of Ireland Clergy Pensions Fund (the “Fund”) has prepared this Statement of Investment Policy Principles (the “Statement”) to document the policies and guidelines that govern the management of the assets of the Fund. The Statement complies with the requirements of Section 59 (1B) of the 1990 Pensions Act (the “Act”) and the Occupational Pensions Schemes (Investment) Regulations 2006 and 2007 (the “Regulations”). The Trustee, which is a designated activity company, has as its sole member the Representative Church Body (the “RCB”).

The Fund provides defined benefit pension arrangements for members who were in service, or already retired and in receipt of benefit, on 31 May 2013 when the Fund was closed to new entrants and future accrual of service. The Trustee takes the nature of the Fund into account when setting the investment objectives and when agreeing the investment strategy required to achieve the objectives with the Sponsor of the Fund.

2. Investment Objectives

The overall investment objective of the Trustee is to maximise the level of investment return at an acceptable level of risk, consistent with the Funding Proposal agreed with the Pensions Authority and the Fund Sponsor, through adopting a prudent, carefully funded and well-executed investment policy. This will in turn assist the Trustee in providing sufficient assets to meet the Fund’s long-term commitment to provide pensions and other benefits for fund members and their dependants. To achieve the objectives, the Trustee has set out an investment strategy which has been agreed with both the Sponsor and the investment managers chosen to manage the Fund assets on a daily basis.

3. Investment Strategy

In order to meet the investment objectives the Trustee has adopted an asset allocation strategy designed to maintain a prudent approach to meeting the Fund’s liabilities, taking account of the nature and duration of the liabilities, the Sponsor’s willingness to adopt such a strategy, and the requirements of the Pensions Authority in working towards a successful attainment of the targets laid out in the Funding Proposal.

When choosing the asset allocation strategy for the Fund’s assets, the Trustee policy is to consider

- A full range of asset classes
- The risk and reward of a range of alternative asset strategies

- The suitability of each asset class
- The need for appropriate asset diversification
- The views of the actuary in setting the liability valuation basis
- The requirements of the Pensions Authority for certain minimum proportions of assets to be held in fixed-interest type assets over time
- The requirements of the Sponsor to maintain contributions to the fund at an appropriate level

4. Investment Management

The RCB is deemed to be the Sponsor of the Fund. The Trustee has delegated the investment management of the Fund's assets to the Investment Committee of the RCB. The management of the assets takes place within the framework of the investment strategy, including the asset allocation guidelines, agreed from time to time by the Trustee with the Investment Committee on behalf of the Sponsor.

The Investment Committee of the RCB has delegated the day to day investment management of distinct elements of the Fund's assets internal and external investment managers. The Investment Committee oversees and monitors the performance of the Fund's investments against pre-agreed performance benchmarks.

The Sponsor employs an in-house investment management team. This in-house investment manager and one or more external investment managers may be appointed by the Trustee on the recommendation of the Investment Committee to act on behalf of the Trustee. The appointment(s) may be made on a passive or active mandate basis (or a combination of the two).

Subject to such guidelines and restrictions imposed by the Investment Committee, which have been pre-agreed by the Trustee, the investment manager(s) with an active mandate will be responsible for making all investment decisions on a discretionary basis and will be evaluated on their ability to achieve the performance objectives set for them as pre-agreed by the Trustee.

Subject to such guidelines and restrictions imposed by the Investment Committee, which have been pre-agreed by the Trustee, the investment manager(s) with a passive mandate will be responsible for adopting the percentages and relevant indices agreed from time to time by the Investment Committee on behalf of the Trustee, will make all investment decisions in order to track efficiently the agreed index/indices, and will be evaluated on their ability to achieve the performance objectives set for them with minimal tracking error.

All investment managers of the Fund are appointed by the Investment Committee on behalf of the Trustee and are subject to termination at any time. The Trustee expects the fund managers to manage the assets delegated to them under the terms of their respective contracts and within the principles set out in this Statement so far as is reasonably practical.

The Trustee has appointed Northern Trust as the custodian of the Fund. The custodian provides safekeeping for all the Fund's assets and performs the associated administrative duties, such as the collection of interest and dividends and dealing with corporate actions. These duties are documented under separate contractual agreements with the custodian.

5. Risk Management

Risk management forms an integral part of the Investment Strategy that is agreed by the Trustee with the Investment Committee. The Trustee sets risk parameters on the recommendation of the Investment Committee and in-house investment team. These include various limits and restrictions with regard to each asset class and the proposed implementation of investment strategy. The parameters are formally reviewed and agreed on an annual basis by the Trustee while the Investment Committee oversees, monitors and when necessary, recommends change to the Trustee.

With direction from the Trustee with regard to the various constraints on overall risk tolerance, the Investment Committee seek to recommend a prudent, diversified and balanced approach to achieve the Trustee's objectives. The risks in the Fund are monitored by the Trustee through regular, at least twice yearly, reports received from the Investment Committee. The regular review of the Investment Strategy and the production of the bi-annual reports are essential inputs for the Trustee in its oversight of the implementation of the principles in this Statement.

6. Review

This Statement will be reviewed by the Trustee with the Investment Committee, at least every three years and also following any change in investment policy which impacts on the content of the Statement.

Last updated September 2015
Reviewed October 2017

APPENDIX H

THE CHURCH OF IRELAND PENSIONS BOARD

Funds administered by the Board as delegated by the Representative Church Body

THE SUPPLEMENTAL FUND

1. ADMINISTRATION OF THE FUND FOR THE YEAR ENDED 31 DECEMBER 2017

The Supplemental Fund is held by the Representative Church Body (RCB) for the provision of assistance to retired clergy of the Church of Ireland and to surviving spouses, orphans and other dependants of clergy of the Church of Ireland and is administered by the Church of Ireland Pensions Board.

The income is derived from the investments representing the capital of the various Funds comprising the Supplemental Fund and grants allocated to it by the General Synod.

Last year the following assistance was provided by means of *ex gratia* payments:

(i) Minimum Income of Surviving Spouses and Orphans

Grants to ensure each has a minimum income from all sources in the year commencing 1 January 2017 of not less than:

	Resident in the:	
	United Kingdom	Republic of Ireland
Surviving spouse under 80	£13,230	€17,616
Surviving spouse 80 or over	£13,733	€18,285

On 31 December 2017, pensions were in course of payment to 182 surviving spouses (excluding widows of voluntary members) of clergy of the Church of Ireland. Two surviving spouses required a grant to bring their total income up to the relevant figure in the table.

During 2017, each surviving spouse who was in receipt of a grant from the Supplemental Fund also received:

- (a) a grant twice yearly towards basic housing costs of £1,000 from the Housing Fund;
- (b) a grant of £400 from monies allocated from the Priorities Fund.

As a result of these grants, the actual minimum income of surviving spouses during 2017 exceeded the figures in the Table by £2,400.

(ii) Removal Grants

A grant to a surviving spouse towards the cost of removal, if his/her wife/husband was in the service of the Church of Ireland at the time of death, of the total amount involved up to a sum of £2,020 if he or she died while holding office in Northern Ireland, or €4,000 if he or she died while holding office in the Republic of Ireland.

Should death occur less than two months after date of retirement and before vacation of the glebehouse a similar grant will be paid.

(iii) Immediate Grants to Surviving Spouses

On the death of clergy in the service of the Church of Ireland who are survived by a spouse, an immediate grant of £4,545 if they died while holding office in Northern Ireland or €6,000 if they died while holding office in the Republic of Ireland shall be paid.

On the death of clergy in retirement from the service of the Church of Ireland who are survived by a spouse, an immediate grant of £1,515 if they resided in the United Kingdom or €2,000 if they resided in the Republic of Ireland shall be paid.

(iv) Other Grants

Certain other grants which, in the opinion of the Board and in the particular circumstances of each case, merited special consideration.

In addition to the grants allocated under the above headings retired clergy, surviving spouses and dependants in need, received help from other sources. The Board would like to record its thanks to the Priorities Fund, the Corporation of the Sons of the Clergy, the Friends of the Clergy Corporation and the other charities and funds which provided this help.

2. GRANTS 2018

Due the unexpended surplus for 2017 and expected dividend income for 2018 it is not necessary to request General Synod for an allocation to the Fund for 2018.

The unexpended surplus for 2017 and dividend income for 2018 will enable the Board to continue the schemes of *ex gratia* payments to the surviving spouses who were in receipt of such payments as at 1 January 2018 as follows:

(i) Minimum Income of Surviving Spouses and Orphans

	Resident in the:	
	United Kingdom	Republic of Ireland
Surviving spouse under 80	£13,574	€17,616
Surviving spouse 80 or over	£14,090	€18,285

It is estimated that the cost of this scheme will be £4,534.

The Representative Church Body – Report 2018

(ii) Removal Grants

Northern Ireland	£2,081
Republic of Ireland	€4,016

(iii) Immediate Grants to Surviving Spouses

In service:

Northern Ireland	£4,681
Republic of Ireland	€6,024

In retirement:

Northern Ireland	£1,560
Republic of Ireland	€2,008

3. RULES

Copies of the rules are available on application to the Pensions Administration Manager.

4. FINANCIAL STATEMENTS

The Financial Statements of the Supplemental Fund are set out in the following pages.

The Representative Church Body – Report 2018

THE SUPPLEMENTAL FUND

31 December 2017

INCOME AND EXPENDITURE ACCOUNT

	2017 €'000	2016 €'000
INCOME		
General Synod Allocations	-	1
Investment Income	31	31
Income from Trusts and Donations	2	2
	<u>33</u>	<u>34</u>
EXPENDITURE		
Augmentation – Surviving Spouses and Orphans	5	9
Grants to Surviving Spouses	15	11
Expenses	5	5
	<u>25</u>	<u>25</u>
OPERATING SURPLUS FOR THE YEAR		
	8	9
Balance 1 January	1,130	1,107
Revaluation movement	19	19
Currency translation adjustment	(1)	(5)
Balance 31 December	<u>1,156</u>	<u>1,130</u>
FUNDS EMPLOYED		
Investments	1,106	1,087
Cash held with the RCB	50	43
	<u>1,156</u>	<u>1,130</u>

THE SUPPLEMENTAL FUND

ANALYSIS OF FUND ASSETS AT 31 DECEMBER 2017

	2017 €'000	2016 €'000
Investments at Valuation		
RB General Unit Trusts	1,106	1,088
	<u>1,106</u>	<u>1,088</u>

Notes

1. The Supplemental Fund is vested in The Representative Church Body, as Trustee, for the provision of assistance to retired clergy of the Church of Ireland and to spouses, orphans and dependants of clergy of the Church of Ireland.

The Fund is established under Chapter XV of the *Constitution of the Church of Ireland* and administered by the Church of Ireland Pensions Board.

2. Accounting Policies are the same as those adopted for the Clergy Pensions Fund.

The Representative Church Body – Report 2018



The Church of Ireland Supplemental Fund
Representative Church Body
Church of Ireland House
Church Avenue
Rathmines
Dublin 6

16 March 2018

Dear Sirs

Chartered Accountants' report on the unaudited financial information of the Church of Ireland Supplemental Fund

In accordance with our engagement letter dated 20 November 2017 we have compiled the entity's financial information which comprises the Income and Expenditure Account, the Analysis of Fund Assets and the related notes from the accounting records and information and explanations you have given us.

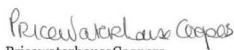
The financial information has been compiled on the basis set out in Note 2 of the financial information.

This report is made to you in accordance with the terms of our engagement. Our work has been undertaken so that we might compile the financial information that we have been engaged to compile, for management purposes. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than you for our work or for this report.

We have carried out this engagement in accordance with technical guidance in M48 'Chartered Accountants' Reports on the Compilation of Historical Financial Information of Unincorporated Entities' issued by the Institute of Chartered Accountants in Ireland (ICAI) and have complied with the ethical guidance laid down by the ICAI relating to members undertaking the compilation of historical financial information.

You have approved the financial information for the year ended 31 December 2017 and have acknowledged your responsibility for it, including the creation and maintenance of all accounting and other records supporting it and the appropriateness of the accounting basis on which it has been compiled, and for providing us with all information and explanations necessary for its compilation.

We have not been instructed to carry out an audit of the financial information. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations given to us by you and we do not, therefore, express any opinion on the financial information.


PricewaterhouseCoopers
Chartered Accountants
Dublin
16 March 2018

OTHER FUNDS ADMINISTERED BY THE BOARD

1. Sundry Diocesan Widows' and Orphans' Funds

Grants are paid on the recommendation of the patron, who is usually the Bishop. The total of grants paid in 2017 was €29,483 and £2,559.

2. Housing Assistance Fund

The Housing Fund has been created by the Representative Church Body mainly from the income of certain endowments and bequests received by it from generous benefactors and where the terms of trust permit.

The Fund is being administered under a Scheme prepared by the Board and approved by the Representative Church Body. Grants amounting to €62,120 plus £55,370 were allocated in 2017. Many expressions of thanks and appreciation have been received from the recipients.

The Board is most grateful for these donations and hopes that this Fund, which has already been of considerable help to retired clergy and surviving spouses with financial outlay arising from the provision and/or upkeep of housing accommodation, will be given further support by donations or bequests.

Two houses were bequeathed to the Representative Church Body, one of which is let to a member of the clergy and the other let to the surviving spouse of a clergyman. These are administered by the Board.

3. Priorities Fund – additional income for the most elderly and needy

A further grant was allocated by the Standing Committee from the Priorities Fund in 2017 to provide additional income for the most elderly and needy surviving spouses of clergy. This enabled the Board to give an additional grant of £400 to each surviving spouse irrespective of age who needed a grant from the Supplemental Fund to ensure a minimum income under the scheme in operation for that purpose. Two surviving spouses benefited from the allocation.

The Board has applied to the Priorities Fund Committee for a grant for 2018.

4. Mrs E Taylor Endowment

The Representative Body requested the Board to administer the Endowment “to provide additional benefits over and above the normal pensions for retired clergymen of the Church of Ireland who should be residing in the 26 counties of Southern Ireland”.

The Board has decided that the income from the Endowment should be allocated in the first instance for the benefit of those retired clergy in the Republic of Ireland who

required nursing/home care either for themselves or their spouses including health and paramedical expenses.

During 2017, grants totalling €11,800 were paid to 5 retired clergy.

5. Rev Precentor RH Robinson Bequest

The income of this bequest has in previous years been allocated annually by the Board in accordance with the terms of trust as an additional payment to a retired clergyman. The income is currently circa €10 per annum. In 2011 it was decided, after consultation with the Head of Property and Trusts, to allow the income to accumulate for a period of five years until a more substantial grant may be allocated.

6. Rev GJ Wilson Bequest

The income of this bequest is available for the benefit of retired clergymen of the dioceses of Dublin, Glendalough and Kildare. The Board allocates the income having sought recommendations from the Archbishop of Dublin and the Bishop of Meath and Kildare.

In 2017, the total of grants paid was €1,885.

7. Discretionary Fund – Retired Clergy/Surviving Spouses

This Fund is available to provide (i) discretionary grants unrelated to Housing, to surviving spouses of clergy to be administered in a similar fashion to that of the Housing Fund and (ii) greater support for retired clergy resident in Northern Ireland or outside Ireland.

Allocations of £15,000 were made in 2017 which, together with income from bequests allocated to the Fund by the Representative Body, enabled the Board to make grants totalling €500 and £1,800 to three surviving spouses and grants totalling £10,455 to five retired clergy.

The Board would welcome donations and bequests in order to provide a permanent income for this Fund.