

BILL NO 2**Explanatory Memorandum**

As indicated in the Report to General Synod of 2007 the Church of Ireland Clergy Pensions Board in conjunction with the Representative Church Body, the Trustee, has been considering amendments to the Scheme in an endeavour to maintain the solvency of the Fund in the longer term. Following actuarial advice this Bill seeks to introduce a new Normal Retirement Age for all new members, including deferred members who re-enter the Scheme, on or after 1 January 2009 and to amend the early and late retirement factors applicable to clergy pensions.

Accordingly, clause 3 seeks to substitute for section 2 of Chapter XIV a new section 2 which, in subsection (d), includes a definition of 'normal retirement age'. For those members who are members of the Fund on or before 31 December 2008 this shall be 'age 65' while in respect of those members who become members of the Fund on or after 1 January 2009 'normal retirement age' shall mean 'age 67'. For those members who have ceased to be contributing members and who re-enter membership of the Fund on or after 1 January 2009 'normal retirement age' shall mean 'age 67'.

Consequential amendments to sections 34, 40(4), 51, 52(2), 53(1)(a), 72(1), 72(5), 78, 79(2) and 80(1) substituting the phrase 'normal retirement age' for references to the age of 65 are contained in clauses 4, 5, 13, 14, 15, 16, 19 and 20.

Clause 2 seeks to make consequential amendments to section 24 of Chapter VI of the Constitution in respect of the 'normal retirement age' of bishops.

Clause 6 seeks to substitute a new section 42 for section 42 of Chapter XIV which, in subsection (1), would ensure that there would be no change in the calculation of pension entitlements of a member who is a member of the Fund on or before 31 December 2008 and for whom normal retirement age is 65. Under the provisions of subsection (2) such a member who completes 40 years' service in the Church of Ireland before reaching the age of 65 years shall be deemed for the purposes of subsection (1) to have reached the age of 65.

A new section 43, which would be substituted by the clause 7, sets out the means of calculating the pension entitlement of a member who enters membership of the Fund on or after 1 January 2009 and for whom normal retirement age will be age 67. As with existing members of the Fund the calculation will be based on 40/60ths of the minimum approved stipend for each year of service or part thereof up to a maximum of 40 years' service but will be calculated upon reaching age 67.

Under the provisions of the new section 43(2) those members who join the scheme on or after 1 January 2009 and who will have completed 42 years' service prior to age 67 may retire on full pension once the 42 years' service has been completed.

Clause 8 seeks to substitute a new section 44 into Chapter XIV. There would be no change in the early retirement percentage rates for those clergy wishing to retire on or before 31 December 2008 but who have not yet reached normal retirement age and have not yet completed 40 years' service on that date.

However, on actuarial advice, it is necessary to revise the early retirement percentage rates applied in the calculation of pensions for clergy who wish to retire on or after 1 January 2009 and who wish to receive a pension prior to the relevant normal retirement age. To incorporate the two normal retirement ages the proposed new early retirement table, as detailed in new section 44(2), is structured on the basis of years before normal retirement age with the appropriate revised percentage rates.

Clause 9 deals with retirement on ill-health grounds and seeks to provide a new section 45 in Chapter XIV which replicates the provisions of the existing section 44 with the substitution of a reference to the 'relevant normal retirement age' for the words 'the age of 65'. The applicable benefits have not changed and apply to the relevant 'normal retirement age'.

Clause 10 seeks to provide a new section 46 in Chapter XIV dealing with late retirement factors. All members who have reached normal retirement age (age 65) on the date of these proposed changes (1 January 2009) will retain the existing late retirement factor which they will have earned or a calculation based on accrued service and the minimum approved stipend as at 31 December 2008, whichever gives the greater pension as at 31 December 2008. The enhancement to this calculated pension, for retirement on or after 1 January 2009, will then only be based on the proposed 'Years after normal retirement age' table in the new section 47(1). The year 2009 will be deemed to be Year 1 after normal retirement age for the purposes of the calculation.

Under the provisions Clause 11 a new section 47 relates to the method of calculating late retirement factors to be applied in respect of the enhancement of pensions of those members who reach normal retirement age on or after 1 January 2009 and who retire at some time after that date. Such members will receive the enhancement of their pension (as calculated upon reaching normal retirement age) based solely on a rate (or proportion thereof) from the 'Years after normal retirement age' table in either sub-section (1) or (2) as relevant. Sub-section (1) relates to clergy who are members of the Fund as at 31 December 2008 and therefore can remain in the service of the Church for ten years after reaching normal retirement age of 65. Sub-section (2) relates to clergy who become members of the Fund on or after 1 January 2009 and therefore can remain in the service of the Church for eight years after reaching normal retirement age of 67.

The new draft section 48(1) contained in clause 12 simply reflects the changes in the numbering of the previous sections. There is no change to the facility that enables clergy to purchase additional service (within Revenue limits) to ensure a full pension at normal retirement age i.e. 40 years' service at either age 65 or 67 as relevant.

Similarly, clauses 17 and 18 deal with consequential drafting amendments and repeals.

Finally clause 21 seeks to amend the provisions of section 86(1) and (2) in relation to commutation of pensions to take account of changes effected by statutory law in the United Kingdom. Previously, under the rules of the scheme and pension regulations, all clergy had the option to allow a portion of the pension, as calculated, to be commuted at normal retirement age (that is, to take a lump sum at normal retirement age with net pension commencing payment on retirement) and for that member to remain in the service of the Church of Ireland. This does not change for members falling under Republic of Ireland statutory pension regulations.

In the United Kingdom, under the new statutory provisions it is now only possible to commute a portion of pension on retirement. The change does not mean any reduction in overall benefits to clergy. This was detailed in a circular dated 1 May 2007 to all clergy.

Clergy falling under the United Kingdom statutory pension regulations still have the option to commute a portion of their pension at retirement under the provisions of section 86(2).

LADY SHEIL
REV FJ MCDOWELL

(on behalf of the Representative Church Body
and of the Church of Ireland Pensions Board)

BILL

To amend Chapters VI and XIV of the Constitution

WHEREAS a change is required in the normal retirement age for clergy who on or after 1 January 2009 become members of the Clergy Pensions Fund established under Chapter XIV of the Constitution and hereinafter referred to as ‘The Fund’ and whereas in order to maintain the solvency of the Fund it is also necessary to make changes to the early and late retirement factors affecting clergy who are members of the Fund;

AND WHEREAS for such purposes it is necessary to amend Chapters VI and XIV of the Constitution;

AND WHEREAS the Church of Ireland Pensions Board has certified that on the enactment of this Statute the Fund should remain solvent as required by Section 16(1) of Chapter XIV of the Constitution.

Be it enacted by the Archbishops and Bishops and the Clergy and Laity of the Church of Ireland in General Synod assembled in Galway in the Year 2008, and by the authority of the same as follows:-

1. In this Statute ‘Chapter XIV’ means Chapter XIV of the Constitution of the Church of Ireland.
2. (i) For section 24 of Chapter VI of the Constitution there shall be substituted the following:
 24. In this part “normal retirement age” and “episcopal service” shall have the meanings given to them by section 2 of Chapter XIV.
 - (ii) In subsections 25, 26, 27 and 28 of the said Chapter VI for the words ‘the age of 65 years’ wherever they occur there shall be substituted the words ‘normal retirement age’.
3. For section 2 of Chapter XIV there shall be substituted the following:
 2. For the purpose of this Chapter and of any regulations made thereunder, except so far as is otherwise provided or the context otherwise requires:
 - (a) the “Board” means the Church of Ireland Pensions Board established in accordance with this Chapter.
 - (b) “voluntary member” means a member of the clergy who was permitted to continue to be a contributor in accordance with section 22 of Chapter XIV of the Constitution 1972.
 - (c) “orphan” or “child” as the case may be shall include a stepchild and a child legally adopted by a member of the Fund.
 - (d) “normal retirement age” shall mean in respect of those members who are members of the Fund on or before 31 December 2008 age 65, or in respect of those members who become

members of the Fund on or after 1 January 2009 age 67, subject to the proviso that in respect of those members who have ceased to be contributing members and who re-enter membership of the Fund on or after 1 January 2009 normal retirement age shall mean age 67.

- (e) “benefits” shall include
 - (i) retirement pension or retirement annuity payable to a member of the clergy;
 - (ii) pension or annuity payable to a surviving spouse;
 - (iii) child dependency allowances;
 - (iv) a lump sum payable either to a member or to such member’s legal personal representatives.
 - (f) “member of the clergy” shall include an archbishop and bishop, but shall not include an auxiliary deacon or an auxiliary priest licensed as such under the rules drawn up by the House of Bishops and approved by the General Synod.
 - (g) “contribution” shall mean a contribution payable under this Chapter together with any interest charged thereon.
 - (h) “year of service” shall mean a year in respect of which a contribution has been paid to the Fund or, in accordance with any reciprocal agreement with another Church, is deemed to have been paid.
 - (i) “episcopal service” shall mean service as a member of the House of Bishops of the Church of Ireland.
 - (j) “accrued service” shall mean the number of years service which a member has completed and in the event of the final year of service being incomplete shall include such part of that year as was completed in terms of days.
 - (k) “total prospective service” shall mean the number of years service which a member would have achieved on reaching normal retirement age having remained a member until that date.
 - (l) “accrued pension accumulation” in respect of a member of the clergy who ceases to be a contributing member shall be the benefits to which the member would have been entitled on reaching normal retirement age calculated in accordance with the provisions of this Chapter (but based upon the minimum approved stipend prevailing at the date on which the member ceased to be a contributing member) reduced by applying to such benefits the ratio of such person’s accrued service to total prospective service.
 - (m) “Revenue Authorities” means, in relation to the Republic of Ireland the Revenue Commissioners and in relation to Northern Ireland the Commissioners of Inland Revenue.
4. In section 34 of Chapter XIV for the words “the age of 65 years” there shall be substituted the words “normal retirement age”.
 5. In section 40(4) of Chapter XIV for the words “age 65” wherever they occur there shall be substituted the words “normal retirement age.”
 6. For section 42 of Chapter XIV there shall be substituted the following:
 - 42.(1) A member, who is a member of the Fund on or before 31 December 2008 and for whom normal retirement age is 65, who retires on reaching the age of 65 shall receive a pension calculated in the following manner, that is to say, the number of completed years of service in the Church of Ireland, but excluding such years in excess of 40,

multiplied by one sixtieth part of the minimum approved stipend for the purposes of section 51(1) of Chapter IV in force on the last day of service.

- (2) Such a member who completes 40 years' services in the Church of Ireland before reaching the age of 65 years shall be deemed for the purposes of this section to have reached that age.

7. For section 43 of Chapter XIV there shall be substituted the following:

43.(1) A member, who has entered membership of the Fund on or after 1 January 2009 and for whom normal retirement age is 67, who retires on reaching the age of 67 shall receive a pension calculated in the following manner, that is to say, the number of completed years of services in the Church of Ireland, but excluding such years in excess of 40, multiplied by one sixtieth part of the minimum approved stipend for the purposes of section 51(1) of Chapter IV in force on the last day of service.

- (2) Such a member who completes 42 years' service in the Church of Ireland before reaching the age of 67 years shall be deemed for the purposes of this section to have reached that age.

8. For section 44 of Chapter XIV there shall be substituted the following:

44.(1) On or before 31 December 2008 a member of the Fund who has completed two years' service in the Church of Ireland may retire after attaining the age of 60 years at such member's own option, and the pension payable shall be the product of a sum calculated in accordance with the provisions of section 42, multiplied by the relevant rate % in accordance with the following table:

Optional Retirement Age	Rate %
60	79
61	83
62	87
63	91
64	95

- (2) On or after 1 January 2009 a member of the Fund who has completed two years' service in the Church of Ireland may retire after attaining the age of 60 years at such member's own option, and the pension payable shall be the product of a sum calculated in accordance with the provisions of section 42 or section 43 as the case may be, multiplied by the relevant rate % in accordance with the following table which shall be operative in respect of pensions, payment of which commences on or after 1 January 2009:

Years before normal retirement age	Rate %
7	67
6	71
5	75
4	79
3	84
2	89
1	94

9. For section 45 of Chapter XIV there shall be substituted the following:

45. A member who is under normal retirement age and who retired on the grounds of ill health under section 41(b) and who cannot be expected to return to duty or take up regular employment shall receive a disability pension for the duration of such member's incapacity for work equal to 90% of a pension calculated in the manner laid down in section 42 or section 43 as the case may be, subject to a minimum pension of 15% of the minimum approved stipend for the purposes of section 51 (1) of Chapter IV in force on the last day of service.

Provided that if a member to whom this section refers is unable to carry out ministerial or official duties for a period of six months (or such shorter period not in any event being less than three months as the Board may in any particular case determine) before the date of retirement, such member's pension shall be calculated in the manner laid down in section 42 or section 43 as the case may be, subject to a minimum pension of 15% of the minimum approved stipend for the purposes of section 51(1) of Chapter IV in force on the last day of service.

10. For section 46 of Chapter XIV there shall be substituted the following:

- 46.(1) A member in the service of the Church of Ireland who reaches the age of 65 and who retires on or before 31 December 2008 shall be entitled to a pension calculated in accordance with the provisions of subsection (3) of this section.
- (2) A member in the service of the Church of Ireland on 31 December 2008, who has reached the age of 65 years on that date and retires on or after 1 January 2009, shall be entitled to a pension calculated in accordance with the provisions of subsection (3) of this section and section 47(1) calculated in the following manner: the pension as calculated as at 31 December 2008 in accordance with subsection (3) of this section multiplied by the relevant rate % in accordance with the Table as set out in section

47(1). The year 2009 (or a portion thereof if less than one year) will be deemed to be Year 1 after normal retirement age for the purposes of the calculation.

- (3) In respect of a member who retires under either subsections (1) or (2) above, the following shall be the basis of calculation:

The pension shall be the product of a sum calculated in accordance with the provisions of section 42 applied as on the day on which such member reached the age of 65 years, multiplied by the relevant rate % in accordance with the following table:

Postponed Retirement Age	Rate %
66	110
67	122
68	135
69	149
70	165
71	182
72	201
73	222
74	245
75	271

Provided that, if the pension were to be greater if it were calculated in accordance with the provisions of section 42 relating to:

- (a) years of service to the date of retirement excluding any years in excess of 45; and
- (b) minimum approved stipend for 2008 for the purposes of section 51(1) of Chapter IV,

that member shall receive instead such increased pension.

11. For section 47 of Chapter XIV there shall be substituted the following:

47. (1) A member in the service of the Church of Ireland who is a member on 31 December 2008 but has not yet reached normal retirement age, shall be entitled to a pension which shall be the product of a sum calculated in accordance with the provisions of section 42 applied on the day on which that member reached normal retirement age, multiplied by the relevant rate % in accordance with the following table:

Years after normal retirement age	Rate %
1	106
2	113
3	121
4	129
5	138
6	147
7	157
8	169
9	181
10	194

- (2) A member in the service of the Church of Ireland who becomes a member on or after 1 January 2009 shall be entitled to a pension which shall be the product of a sum calculated in accordance with the provisions of section 43 applied on the day on which that member reaches normal retirement age, multiplied by the relevant rate % in accordance with the following table:

Years after normal retirement age	Rate %
1	106
2	113
3	121
4	129
5	138
6	147
7	157
8	169

12. For section 48(1) of Chapter XIV there shall be substituted the following:
48. (1) Without prejudice to the provisions of sections 26, 34 and 35 of this Chapter and subject to sections 43, 47, and 48 of this Chapter and to sub-section (2) below a member, in anticipation of such member's inability to complete, for pension purposes, 40 years of service before reaching normal retirement age, may make additional personal contributions in respect of that member's membership of the Fund.
13. In section 51 of Chapter XIV for the words 'the age of 65 years' there shall be substituted the words 'normal retirement age.'
14. In section 52(2) for the words 'the age of 65 years' there shall be substituted the words 'normal retirement age'.
15. In section 53(1)(a) for the words 'the age of 65 years' there shall be substituted the words 'normal retirement age' and for the words '65 years of age' there shall be substituted 'normal retirement age'.
16. (i) In section 72(1) for the words 'under 65 years' there shall be substituted 'under normal retirement age'; and
- (ii) In section 72(5) for the words 'the age of 65 years' there shall be substituted 'normal retirement age'.
17. (i) In section 74(1) the words '(other than any to whom section 46 applies)' shall be repealed; and
- (ii) In section 74(2)(i) for the words 'under section 45' there shall be substituted the words 'under section 47'.
18. In section 76(b) for the words 'under sections 42 to 45 (inclusive)' there shall be substituted the words 'under section 42 to 47 inclusive'.
19. In section 78, 79(2) and 80(1) for the phrase 'the age of 65 years' wherever it occurs there shall be substituted the phrase 'normal retirement age'.
20. In section 80(1) for the words '65 years of age' there shall be substituted the words 'normal retirement age'.
21. For subsections (1) and (2) of section 86 there shall be substituted the following:
86. (1) A member in the service of the Church of Ireland in the Republic of Ireland on reaching normal retirement age may opt either
- (a) to commute not more than one fourth of the pension to which such member would be entitled upon retiring on that day into a lump sum at the rate of € of lump sum for each €1 of pension commuted, in which case the lump sum shall be payable forthwith and the pension entitlement under section 42, section 46, section 47 or section 74 shall be reduced by a percentage identical with the percentage of the pension which has been commuted; or
- (b) to defer a decision until retirement.
- (2) A member who retires from the service of the Church of Ireland before reaching normal retirement age, or who retires after reaching that age (having deferred a decision under sub-section (1) if appropriate) may opt to commute not more than one fourth of the pension to which such member is entitled into a lump sum at the rate of

£9 of lump sum for each £1 of pension commuted or € of lump sum for each €1 of pension commuted (as the case may be).