GENERAL SYNOD 2008

CHURCH OF IRELAND PENSIONS BOARD REPORT

Proposed by the Venerable Donald McLean (Diocese of Derry)

EMBARGOED UNTIL DELIVERY

CHECK AGAINST DELIVERY

Usually, when someone comes to the rostrum to present this report well over a third, sometimes as many as ½ of those present disappear – maybe there is a sudden urge for coffee, or they have just spied some long lost friend across the room and need to renew an old acquaintance.

I was annoyed when, at my first General Synod, this happened, especially as I had just become a member of the Pensions Board at that time. Over the years I have become used to this and now look on it as a sign of confidence by those members of Synod who leave – confidence that all is in good hands, that all is well.

The good news is that the Actuary has stated that at the 31st December 2007 the Church of Ireland Pension Fund had remained on track to meet the Minimum Funding Standard by 30th September 2011. I can assure the House that the members of the Board consult regularly with the Actuary on this matter. (Our next meeting is in September)

We will continue to keep a close eye on progress towards the 2011 goal and work with the Trustee Body (the Representative Church Body) to stay on course. A sub-committee comprising members of the Pensions Board and Representative Body is already in place which is looking at the responsibilities of both the Board and the Representative Body.

We will continue to do all that we can to achieve this 2011 goal.

We know that the way ahead is not easy, it will be hard as Stock Market yields continue to fall, but our goal will always be to maintain a Defined Benefit Scheme.

DEFINED BENEFIT SCHEME:

A pension scheme in which an ‘employee's pension’ is based on the number of years of service and final salary with the ‘employer’. In this type of scheme ‘employees’ are typically provided with 1/60 of final salary (MAS) for each year of service up to a maximum of 40/60 that is, two thirds of their final salary. At retirement a tax-free lump sum may be taken at the expense of a reduced pension. Sponsored by the ‘employer’, its popularity as a form of remuneration has waned as liabilities have increased due to such factors as increased longevity and the present low return on investments.

The Association of Consulting Actuaries (ACA) latest 2007 *ACA Pension trends* survey states:

81% of defined benefit schemes run by respondents are closed to new entrants, up from 68% two years ago. The number of such schemes closed to future accrual of pension has increased to 14% of schemes. Mirroring evidence reported elsewhere, the survey also found an increase in the closures of occupational defined contribution schemes.

(In 1995 there were 5 million employees of private sector firms in open defined benefit schemes. By 2004, the number was down to 2 million. **ACA latest figures – collected in November 2007 – show this figure is down to around 900,000.)**

The survey also found a pattern of mounting pension costs for those employers running defined benefit arrangements and the members of such schemes.

Over the last five years, the average employer contribution to such schemes has nearly doubled from 11.5% of earnings to 22.6%. Member contributions too have increased, on average, by over to 40% from 4.3% of earnings to, on average, 6.1% now.

In the case of our Pension Scheme the figures are 5·6% from Clergy and 16·8% from Dioceses and 8·2% from the Representative Church Body – an aggregate total of 1·9% above the average.

In 1966 I left Cork and came to TCD. A new way of life opened up – including a wide selection of Picture Houses and it was in the Academy I saw that great Western Spaghetti: The Good, the Bad and the Ugly. Those three descriptors probably reflect the different periods of the Pension Board over the past number of years, certainly since 1990 when I became a member.

The Good: First it was the **Good** years – years of bounty when investments soared. This led to:

- Retirement age reduced.
- Bounty distributed to those who had never been in the scheme – bringing them into line with those already benefiting.
- Clergy, Dioceses and the RCB maintained contributions at constant level – no reduction. After all it was for the benefit of others. As the late Canon Victor McKeown said, when proposing this Report in 1991, “Today’s money pays for tomorrow’s pensions ... and yesterday’s”.

The Bad: Next came the **Bad** years – the lean years. Investment income started a downward turn and so we did not enjoy a healthy surplus.

The Pensions Act 1990, first reported on at the 1991 General Synod, in section 44 sets out the Minimum Funding Standard for the Fund. Accrued liabilities include benefits for the current active members based on completed years of service at a particular date and projected future stipends; pensions in the course of payment to members and their spouses; and deferred pensions in respect of members who have left.

At 31st December 2007 funding remained on track to meet Minimum Funding Standards by 30 Sept 2011.

Last year's Synod saw legislation for the increase in contributions. This year there is legislation to increase the normal retirement age (NRA) for those entering the ministry or re-entering the ministry of the Church of Ireland to 67 from 1st January 2009, and a change in relation to the revised early and late retirement tables. (This change in NRA <u>does not</u> affect present active/in service members of the Fund. Those who are over the present normal age of retirement (NRA65) but still in active service will receive their added years at the present enhancement rate to 31st December 2008 and from 1st January 2009 at the new rate.)

The Ugly: Now what I fear we might call the **Ugly** period has dawned. The stock market has had a turbulent time since the beginning of the year with, in some cases, a spiralling down-turn. What the situation will be like in September when we meet the Actuary no-one can predict. I do, however, on behalf of the Board, pledge our determination to safe-guard our Defined Benefit Scheme. I assure this House that our

Investments, our Fund Managers and all other means of safe-guarding the interests of so many is being fully examined.

If we were to have a mission statement it certainly would include our determination to preserve our Defined Benefit Scheme.