THE CHURCH OF IRELAND PENSIONS BOARD

REPORT FOR THE YEAR 2008

REPORT TO THE GENERAL SYNOD 2009

AND FINANCIAL STATEMENTS FOR THE YEAR 2008

Members/Meetings of the Board
There were (6) meetings of the Board in 2008.

Elected by the House of Bishops

Most Rev Dr JRW Neill	(6)
Right Rev WP Colton	(5)

Elected by the General Synod

Ven DS McLean	(5)
Mr WT Morrow	(5)
Canon Lady Sheil	(6)
Rev ECJ Woods	(4)
Mr LV Johnston	(3)

Elected by The Representative Church Body

Mrs JM Peters	(5)
Mr RP Willis	(3)
Mr TH Forsyth	(5)
Mr DG Perrin	(4)
Rev FJ McDowell	(5)

Chairperson – Canon Lady Sheil

Vice-Chairperson – Mr TH Forsyth

Honorary Secretary – Ven DS McLean

Honorary Consultant – Canon JLB Deane

Trustee – The Representative Church Body

Actuarial Advisers – Mercer (Ireland)

Investment Managers – Irish Life Investment Managers (from January 2008)

Assistant Secretary – Mr PM Talbot

Pensions and Welfare Officer – Mr PG Connor

Grants Committee

Canon Lady Sheil   Ven DS McLean   Mr WT Morrow

Office: Church of Ireland House
Church Avenue
Rathmines
Dublin 6

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

REPORT OF THE BOARD OF THE CHURCH OF IRELAND CLERGY PENSIONS FUND TO THE GENERAL SYNOD

EXECUTIVE SUMMARY FOR THE YEAR 2008

- **Actuarial Certificate** – the Actuary is not satisfied that the current funding proposal remains on track to meet the Minimum Funding Standard by 30 September 2011. The Trustee will have to submit a revised funding proposal plan to the Irish Pensions Board to eliminate the deficit under the Minimum Funding Standard (section 13 and Appendix A).

- **Overview of Return on Fund** – the total return on the Fund for the year ended 31 December 2008 was -34.6%. Since 24 January 2008 the Fund has been managed by Irish Life Investment Managers through the use of three equity and two bond indices benchmarks.

- **New Funding Proposal to fund the deficit** – the Representative Church Body in conjunction with this Board is submitting a proposal to fund the substantial deficit in the Fund by way of increases to the annual contribution rate for members and dioceses/parishes coupled with capital injections over time (section 11).

- **Working Group reviewing legal issues** – a small working group of representatives of the RCB Executive Committee and of the Board was established to review issues concerning compliance and other statutory legal requirements. The group will continue with its work and report to General Synod in 2010 (section 14).

1. INTRODUCTION

The Church of Ireland Pensions Board administers the Church of Ireland Pensions Fund of which The Representative Church Body is the Trustee. The Board is elected triennially.

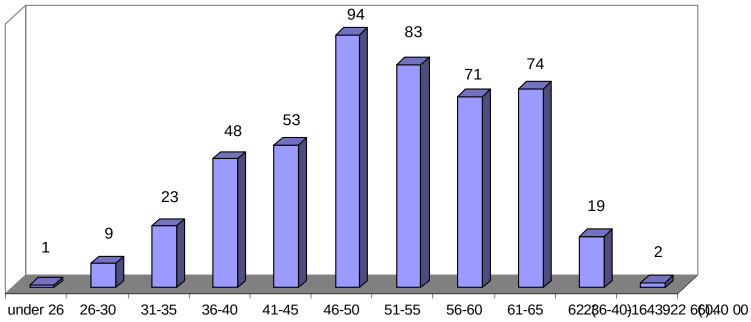
The powers and duties of the Board are, in the main, to administer the system of contributions and benefits in accordance with the principle that a proper actuarial relationship shall be maintained between the contributions payable to, and the benefits paid out of, the Fund. The Board is required to report annually to the General Synod and to ensure that the Fund is revalued at intervals of not more than three years and to report on such valuations to the General Synod.

The Board may determine, on the advice of the actuary and with the approval of the Representative Body, increases in pensions in the course of payment.

2. MEMBERSHIP OF THE FUND

Contributing members 1 January 2008			485
Additions:	Newly ordained clergy		7
	Clergy who re-entered service		5
	Clergy who entered service from other Churches		6
	Clergy who entered service from other posts		-
	Transfer from Non-Stipendiary Ministry		1
			504
Deductions:	Clergy retired on pension	17	
	Clergy who died in service	-	
	Clergy who left service with entitlement to deferred benefits	10	
	Clergy who left service and transferred their benefits to another fund	-	(27)
Contributing members 31 December 2008			477

Age distribution of members



(c) Children

Child Dependency Allowances 1 January 2008		7
Add:	Commenced during the year	0
Deduct:	Ceased during the year	(1)
Child Dependency Allowances 31 December 2008		6

4. PENSIONS IN PAYMENT

The annual rate of pensions etc in payment at 1 January 2009 are:

	€		£
Clergy	1,714,336	and	1,995,160
Surviving spouses and orphans	1,389,178	and	1,028,515
	3,103,514	and	3,023,675

5. DEFERRED PENSIONS

There are 108 clergy with entitlement to deferred benefits as at 31 December 2008.

6. INCREASES IN PENSIONS IN PAYMENT

Under the provisions of the Fund, pensions and annuities in payment at the end of each year may be increased on the following 1 January. The amount of any increase will be the percentage required by law, or such greater percentage up to 5%, as the Board on the advice of the actuary and with the approval of The Representative Church Body may determine.

For the past number of years, pensions in payment on 1 January each year have been increased by the preceding September's annualised rate of inflation in each jurisdiction (up to a maximum of 5%).

This practice has again been followed for pensions in payment on 31 December 2008 so that the increases which were applied on 1 January 2009 were 5% for those payable in sterling and 4.3% for those payable in euro, except those being paid to widows of voluntary members.[1]

[1] A voluntary member is a member of the former Widows and Orphans Fund who remained a contributing member of that Fund following the inception of the Clergy Pensions Fund on 1 January 1976.

7. LUMP SUM BENEFITS

Under the provisions of the Fund a cash lump sum is payable in a number of eventualities. The following is a summary:

On death in service or within 5 years following retirement;

On retirement before reaching Normal Retirement Age[2] (NRA), individual members may elect to commute part of their pension;

On reaching NRA individual members may elect to commute part of their pension, whether or not they actually retire (applies to Republic of Ireland members only);

On retirement after reaching NRA, individual members may elect to commute part of their pension if, on reaching NRA, they had decided to defer a decision until their actual retirement;

On deferred pension entitlement becoming payable.

During 2008 lump sums totalling €90,837 and £297,247 became payable under the above headings in respect of 11 members as follows:

Died in service (0); died within 5 years following retirement (3); paid before NRA (0); paid at NRA (0); paid on retirement (8); deferred pension (0).

8. EXPLANATORY BOOKLET

The explanatory booklet, designed to give a broad outline of the Fund and the benefits provided, is available on request from the Assistant Secretary.

The latest revision (substantially re-written from the previous issue in 2004) incorporates recent changes in pensions legislation and regulations together with 'best practice' and was circulated to all members in November 2008. A copy will also be forwarded to each new member.

9. REGISTERED ADMINISTRATOR OF THE FUND

With effect from 1 November 2008 the trustees of every pension scheme must appoint a registered administrator to provide certain functions (e.g. the maintenance of sufficient and accurate records of members and their entitlements). The Representative Church Body, as Trustee, has been appointed registered

[2] Normal retirement age for all new members, including deferred members who re-entered the Fund, on or after 1 January 2009, is 67. Those members who were in the Fund on or before 31 December 2008 will have a normal retirement age of 65.

administrator as a temporary arrangement pending the finalisation of the work of the working group on various legal issues relating to the governance of the Fund. (see section 14).

10. AMENDMENTS TO SCHEME

Normal Retirement Age (NRA) – following the passing of legislation at the General Synod in 2008, NRA for members who join or re-enter the Scheme on or after 1 January 2009 will be age 67.

All contributing members in the Fund as at 31 December 2008 retain their NRA of age 65.

Early and Late Retirement Factors – these factors were amended by the General Synod in 2008 to bring them into line with the assumptions used for the actuarial valuation as on 30 September 2006 and to ensure that they are actuarially neutral to the Fund.

All members who have reached normal retirement age (age 65) before 1 January 2009 will retain the late retirement factor they have earned on the previous table or a calculation based on accrued service and the minimum approved stipend as at 31 December 2008, whichever is the greater. Calculations for service accrued after 1 January 2009 will be based on the new tables.

11. FUNDING OF THE SCHEME AND CONTRIBUTIONS

Funding proposal with the Irish Pensions Board – the actuary has confirmed in his Actuarial Certificate that he is not satisfied that the funding proposal agreed with the Irish Pensions Board is still on track in order to restore the solvency level of the Fund to 100% by 30 September 2011 (see also section 13 of the Report in relation to the Actuarial Certificate as at 31 December 2008).

Contribution Rate – the annual total contribution rate (which is made up of a contribution to meet the deficit in respect of past service and to meet future service funding) is currently 30.6% of Minimum Approved Stipend. This figure is made up of:

Rate	Source
5.6%	Members
16.8%	Dioceses/Parishes
8.2%	Central Funds (RCB)
30.6%	Total

New funding proposal required – in view of the content of the Actuarial Certificate as at 31 December 2008 and the anticipated outcome of the next triennial actuarial valuation of the Fund on 30 September 2009, a new funding proposal will have to be submitted to the Irish Pensions Board by 31 December 2009 for their agreement.

The Representative Church Body has developed a funding proposal which is designed to attempt to redress this serious situation and seeks to ensure that the current defined benefit plan for clergy can be maintained. It is recognised that this plan will entail some pain being borne by all parties involved in financing the Clergy Pensions Fund.

In summary, the Representative Body would be agreeable in principle to making capital transfers into the Fund at future dates in relation to currently identified past service liabilities, and that detailed proposals for any such capital transfers would be considered in due course, subject to the prevailing financial circumstances in relation to its General Funds being deemed suitable. The aggregate member and diocese/parish contribution should be increased from 22.4% per annum (5.6% and 16.8% respectively) to a full future service funding rate yet to be determined (an indicative future service funding rate is estimated at 30% of MAS).

In an initial move to fund the Scheme, the Board in conjunction with the Representative Body will bring a Bill to the 2009 General Synod, to increase the aggregate member and diocese/parish annual contribution rate to 26% (from the current 22.4%) with effect from 1 January 2010, divided between members 2% and dioceses/parishes 1.6%. At the same time the Representative Body would commit to injecting an initial amount of not less than €5m capital into the Fund.

The proposal will again be reviewed following the triennial actuarial valuation as on 30 September 2009 with a view to assessing the magnitude of the further capital injections required annually thereafter as well as the level of the annual contribution rate for the members and dioceses/parishes. Legislation may have to be brought to the General Synod over the next two to three years to give effect to any further increased contribution rates.

Following approval of this year's Bill, contribution rates from 1 January 2010 for members and dioceses/parishes would be:

Rate	Source
7.6%	Members
18.4%	Dioceses/Parishes

Triennial Actuarial Valuation Report – the next actuarial valuation will be as at 30 September 2009.

Contribution from central funds for 2009 – based on the contribution rate of 8.2%, the transfer from central funds (€578,993 and £511,106 – equivalent to €1,115,587 in 2009) is included in the recommendations to the General Synod for allocation from the Income and Expenditure Account of the Representative Church Body (see page 19). This allocation is calculated on the formula in Section 38 of Chapter XIV of the Constitution to meet escalation of pensions and more recently has been taken as part of the increased contribution level to enable the Board and the

Trustee to meet its statutory obligations under the Pensions Act and meet the Minimum Funding Standard by 30 September 2011.

12. ILL-HEALTH/INCOME PROTECTION BENEFITS

Last year the Board reported that a sub-committee had been set up to review ill-health pensions/income protection under the Fund. Following a comprehensive report from the sub-committee, the Board concluded that were an ill-health protection scheme to be put in place it would:

- be outside of the main Clergy Pensions Fund (i.e. separately insured)
- be mandatory for all members of the Fund
- involve payment of full remuneration continuing for the first six months of sick leave for any individual member of the Fund who meets the relevant illness criteria (followed by an agreed form of reduction in remuneration across all dioceses).
- be at an annual cost of approximately 2% of minimum approved stipend.

However, following discussion, the Board concluded with regret that in view of the serious strains on the Fund itself and those financing the Fund this would not be an opportune time to pursue the implementation of such an ill-health protection scheme.

13. ACTUARIAL CERTIFICATE

The Actuarial Certificate dated February 2009 is included as Appendix A to this report.

14. WORKING GROUP REVIEWING THE LEGAL ISSUES OF THE FUND

Last year, it was reported that a small working group made up of members of the RCB Executive Committee and of the Board had been set up to review issues concerning how the Fund complied with the legal requirements imposed on pension funds. This group has been supported in its work by a lawyer who specialises in pension law. While the work of this group is not yet complete, it is appropriate that General Synod receive a report on progress to-date.

As currently constituted under Chapter XIV, the RCB is both the "sponsoring employer" of the Fund, in the eyes of the Irish Pensions Board, and also the Trustee of the Fund. Legal advice has identified that various elements of Chapter XIV do not currently comply with Irish pension legislation and has questioned the current governance structure relating to the Clergy Pensions Fund. Accordingly it has been concluded that the current structure is not appropriate and proposals are being developed to establish, as Trustee of the Fund, a special purpose corporate trustee and also to develop amendments to Chapter XIV to ensure that it conforms to pension legislation. The proposed corporate trustee would be controlled by the RCB as its parent and by the Synod in relation to any changes to its constitution. Accordingly, what will be proposed is a structural change to clarify roles and responsibilities and through which extra focus will be brought on the many and complex legal responsibilities of trustees in relation to pension funds. It is currently proposed that a minimum of five persons would be appointed by the RCB as directors of this corporate trustee company. It will be their sole responsibility to discharge the responsibility of the Trust Deed and Rules of the Fund.

As the corporate trustee will not have the capacity to discharge directly a range of its duties as prescribed by legislation, it will have the power to delegate many of these duties to committees or bodies, e.g. to the staff of Church House in relation to payment of pension and the collection of contributions, to the Investment Committee in relation to investments and it shall delegate a range of duties to the Clergy Pensions Board, largely those presently undertaken by the Board. However, as is required by law, the ultimate responsibility for all of these duties will remain with the corporate trustee and the corporate trustee will appoint the actuary to the Fund.

Chapter XIV will remain the constitutional document which will govern the Fund. However amendments are being made to elements of its wording to ensure that it will conform to the provisions that one would expect to find in a Trust Deed and Rules of a pensions scheme subject to the Pensions Act, as is the Clergy Pensions Fund. In working through the proposed revised wording of Chapter XIV, an opportunity is being taken to clarify and expand sections as appropriate, while ensuring they are consistent with the proposal to establish a corporate trustee and with pension legislation.

It is planned that details of all the proposed changes will be included in a Bill to be brought to the General Synod of 2010.

15. 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 Assistant Secretary.

16. ADDITIONAL PERSONAL CONTRIBUTIONS (APCs)

Members who will not have completed 40 years of service on reaching 65 or 67 years of age, as the case may, will not qualify for a full pension. However, subject to limitations contained in civil legislation, such members may purchase additional service by making APCs either by monthly deduction, or by the payment of a lump sum, or by a combination of the two. These contributions qualify for full income tax relief at the highest rate payable by the contributor.

At present 105 members have made, or are making, contributions to the APC Scheme.

Copies of the Regulations and explanatory memorandum in relation to APCs may be obtained on request from the Assistant Secretary.

17. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

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 (see pages 140 to 141.)

18. FINANCIAL STATEMENTS

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

Note: The formal Financial Statements are expressed in euro for technical reasons. The Accounts of the Northern Ireland subdivision of the Fund are maintained in sterling in which currency the contributions and benefits are also paid. Since the formal Accounts are presented in euro only, changes in the relationship between euro and sterling, and the *realised* and *unrealised* gains or losses which occur as between one year and another may give a misleading impression of the comparative figures.

The following schedule illustrates the equivalent figures in sterling for contributions, investment income and benefits in relation to the Northern Ireland subdivision for 2008 and 2007 as shown in the Financial Statements. It is hoped that this schedule will be helpful in studying the accounts.

		2008	2007
		£'000	£'000
Contributions			
- Members	- normal	360	323
	- additional personal	49	45
- Dioceses		1,137	1,009
Representative Church Body		1	458
Investments and Short Term Income		1,323	1,323
Pensions to Retired Clergy and Bishops		1,868	1,803
Pensions to surviving spouses and orphans		1,000	971
Commutation of pensions		255	176
Death benefits		1	3

19. RESOLUTION RECOMMENDED TO THE GENERAL SYNOD

The Church of Ireland Pensions Board recommends that the following resolution be adopted by the General Synod:

'That the Report of the Church of Ireland Pensions Board be received and adopted'.