GENERAL SYNOD 2009

REPORT OF THE CHURCH OF IRELAND PENSIONS BOARD

Proposed by Mr Geoffrey Perrin (Diocese of Dublin)

EMBARGOED UNTIL DELIVERY

CHECK AGAINST DELIVERY

Your Grace, members of Synod.

This year the report of the Pensions Board is particularly significant, not just because no longer can anybody ignore or defer the subject of pensions, but also because in my view the work of the Pensions Board and the subject of clergy pensions best illustrates the current financial difficulties facing the RCB, as you have just heard, with its responsibilities for Sustentation. May I at this early stage in the report, repeat what I, and others have said at recent Synods that it is the clear intention of the RB, and every member of the Pensions Board, to do all it can to maintain the Defined Benefit pension scheme which currently exists for clergy, and to maintain it as a non-integrated scheme - in other words when clergy pensions are paid they are in ADDITION to the state pension and no deduction (for the state pension) is made from the clergy scheme as happens in the majority of schemes. But the church is under the same responsibilities as all other organizations with a Pensions Crisis, that is, to act responsibly, and ensure that it does not allow a gap to open between what it promises, and what it can afford to pay in the long term.

In recent years quite a few employers have switched to a Defined Contribution pensions basis or to one of the new hybrid schemes which combine the features of a Defined Benefit and a Defined Contribution scheme. Many existing DB schemes are closed to new employees and virtually all new schemes are of the DC type. Lest anybody should feel that with increasing contributions being required for the Clergy DB scheme, that clergy would be better off in a DC scheme let there be no doubt whatsoever that in a DC scheme the member gets at retirement only what the value of the investment is worth and based on prevailing annuity rates what that buys in the market, regardless of whether he or she has full service to date of retirement.. The Risk is transferred totally from funder to beneficiary and I'm sure we all have friends or acquaintances who have had the value of their funds, under DC schemes, wiped out or certainly halved in the last year or so. With the Clergy DB scheme, those retiring at Normal Pension Date, with full service, get their full pension and the funding risk for this is not taken by the beneficiary or pensioner, but by the funder, in this case the RCB. Little wonder therefore that in this the worst financial crisis in living memory, many employers with DB schemes are tempted to see them as unwieldy and too expensive with a strong temptation to wind up and replace with the cheaper (for the employer) and worse (for the employee)

DC scheme. There is Security in the DB scheme and Security in retirement, is a matter of enormous importance, not least in these highly uncertain times.

But keeping the DB scheme going is extremely costly. You will see from page 103 of your Book of Reports, that the fund dropped in value almost 35% last year and the decision to change fund managers and fund policies from January 2008... And it is not just cost, we also have to meet our statutory requirements most noticeably the solvency requirement of the Irish Pensions Board. Every 3 years the Clergy Pensions Fund is assessed or valuated in great detail, by the Actuaries. The last such valuation was in September 2006 and following that, and an increase in contributions, the Irish Pensions Board accepted that we would meet their Minimum Funding Standard by 2011. We now await the next Triennial Valuation, due this September but its quite clear that with the continued decline in the value of the funds, that the Irish Pensions Board will need a new funding proposal by the end of this year, and hence the proposed increase in contributions from members and parishes/dioceses which you have heard about in Bill number 3, and which, if agreed, would take effect from January next year.

As you know Bill no. 3 is brought to you from the RCB with the complete support of the Clergy Pensions Board. If the increased member and diocesan/parish contributions are agreed, the RCB has agreed to inject 5 million capital into the fund in January next year with further capital transfers in the future... If we want to continue with this crucial, and much appreciated, DB scheme, the message is very simple, all the participants must pay more and it is very much appreciated that the proposed increase in contributions and the RCB capital sums are very significant and come at a time when all parties are under other and very significant financial pressures.. I fully appreciate that for the members, ie individual clergy, at 2% their increase is high but in my view and experience, many many people would love to be in a DB scheme, especially a non-integrated one, for a contribution rate, and tax efficient, of 7.6%. We have a responsibility to bring the CPF back into balance but this must also be done without fundamentally damaging the wider ministry of the Church. I should also add that the proposal on page 109 is supported by the Actuary and if accepted, and provided our Triennial Valuation in September is not radically worse, should enable us to meet our statutory requirements.

Over the years the Pensions Board have been happy to bring significant improvements to the CPF to Synod. We are now in drastically changed times and while regrettable, it is my view that it would be irresponsible not to propose this year the action as set out on page 109.

Your Grace, I know that in conclusion I'm supposed to say that I have much pleasure in proposing this report. It's not a particular pleasure, in my view it's a necessity that the Report of the Clergy Pensions Board be received and adopted.