

Church of Ireland Pensions Board – Report 2011

**THE CHURCH OF IRELAND PENSIONS BOARD**  
**REPORT FOR THE YEAR 2010**

Church of Ireland Pensions Board – Report 2011

**REPORT TO THE GENERAL SYNOD 2011  
AND FINANCIAL STATEMENTS FOR THE YEAR 2010**

***Members/Meetings of the Board***

***There were (6) meetings of the Board in 2010.***

**Elected by the House of Bishops**

Most Rev Dr John Neill (retired 31 January 2011) (6)  
Right Rev Paul Colton (3)

**Elected by the General Synod**

Ven Donald McLean (4)  
Canon Lady Sheil (6)  
Rev Edward Woods (6)  
Mr Leslie Johnston (resigned November 2010) (5)  
Mr William Oliver (1)

**Elected by The Representative Church Body**

Mrs Judith Peters (5)  
Mr Robert Willis (3)  
Mr Terence Forsyth (4)  
Mr Geoffrey Perrin (5)  
Rev John McDowell (5)

**Chairperson** – Canon Lady Sheil

**Vice-Chairperson** – Mr Terence Forsyth

**Honorary Secretary** – Ven Donald McLean

**Honorary Consultant** – Canon Barry Deane

**Trustee** – The Representative Church Body (to 31 December 2010)  
The Church of Ireland Clergy Pensions Trustee Limited (from 1 January 2011)

**Actuarial Advisers** – Mercer (Ireland)

**Investment Managers** – Irish Life Investment Managers

**Assistant Secretary** – Mr Philip Talbot

**Pensions and Welfare Officer** – Mr Peter Connor

**Grants Committee**

Canon Lady Sheil                      Ven Donald McLean                      Vacancy

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

**EXECUTIVE SUMMARY FOR THE YEAR 2010**

- **Revised Chapter XIV** – the changes to Chapter XIV, approved by the 2010 General Synod, came into effect on 1 January 2011 and bring the Constitution of the Fund into line with State law.
- **New Trustee** – The Church of Ireland Clergy Pensions Trustee Limited, a special purpose corporate trustee company, established by the 2010 General Synod, became the trustee to the Clergy Pension Fund with effect from 1 January 2011. The five directors of the Trustee Company are: Rt Rev Paul Colton, Mr Bruce Maxwell, Mr Terence Forsyth, Mr Geoffrey Perrin and Mr John Wallace (see also Representative Body Report page 44)
- **Overview of Return on Fund** – the total return on the Fund for the year ended 31 December 2010 was 11.3% (2009, 24.7%; 2008, -34.6%). Over the past three years the annualised return on the Fund has been -3.2% and -1.4% over the past 5 years. The total value of the Fund as at 31 December 2010 was €108m. The main portion of the Fund is managed on a passive basis by Irish Life Investment Managers.
- **Solvency of the Fund** – various changes to rates of contribution to the Fund from clergy, dioceses and from central funds were agreed by 2010 General Synod. These were designed to restore the long term solvency of the Fund and were planned to form the basis of a Funding Proposal to eliminate the Minimum Funding Standard Deficit which had been identified by the actuary in December 2009 and subsequently confirmed in December 2010 (see Actuarial Certificate dated February 2011 in Appendix B (page 209) to this report). While the actuary has projected that these changes will address the longer term solvency of the Fund, he has subsequently advised that, due to adverse movements in bond yields during 2010, some further initiatives will be required to address the Minimum Funding Standard Deficit which remains.
- **A New Funding Proposal** - a small Working Group (working with the actuary) was established by the RCB Executive Committee to finalise a new Funding Proposal designed to eliminate the Minimum Funding Standard Deficit by 2019 i.e. ten years from the most recent triennial actuarial valuation. While the filing date to *An Bord Pinsean* for such a Funding Proposal was initially by May 2011, that Bord announced during the year that it would introduce new legislation in relation to the calculation of funding standards no later than July 2011. Accordingly, the development of a new Funding Proposal has

## **1. INTRODUCTION**

The Church of Ireland Pensions Board (the Board) administers the Church of Ireland Pensions Fund. The Board is elected triennially. The Representative Church Body was the Trustee of the Fund up to 31 December 2010. The new Trustee, The Church of Ireland Clergy Pensions Trustee Limited, was appointed with effect from 1 January 2011. Chapter XIV of the *Constitution of the Church of Ireland* details how the Fund is to be governed. Chapter XIV was amended by the 2010 General Synod to ensure that the governance of the Fund conforms with current legislation. All references in this year's report relate to the version of Chapter XIV prior to the changes made at the 2010 Synod.

The powers and duties of the Board are set out in Chapter XIV of the Constitution and 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.

As set out in Chapter XIV 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 BOARD**

The Most Rev Dr John Neill, the former Archbishop of Dublin, retired from the Board on 31 January 2011.

The Board expresses its thanks and appreciation to the Archbishop for his good counsel and greatly valued contribution to the work of the Board and wishes him well in his retirement.

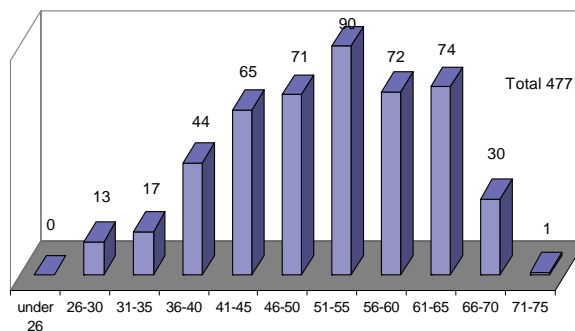
The Board also wishes to express its thanks and appreciation to Mr Leslie Johnston, who resigned during the year, for his tireless and greatly valued work on the Board and as a member of the Grants Committee.

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**3 MEMBERSHIP OF THE FUND**

|  |    |            |
|--|----|------------|
| Contributing members 1 January 2010                                    |    | 476        |
| Additions:   |    |            |
| Newly ordained clergy  |    | 8          |
| Clergy who re-entered service  |    | 2          |
| Clergy who entered service from other Churches                         |    | 6          |
| Clergy who entered service from other posts                            |    | 0          |
| Transfer from Non-Stipendiary Ministry                                 |    | 3          |
|  |    | <u>495</u> |
| Deductions:  |    |            |
| Clergy retired on pension  | 10 |            |
| Clergy who died in service   | 2  |            |
| Clergy who left service with entitlement to deferred benefits          | 6  |            |
| Clergy who left service and transferred their benefits to another fund | 0  | (18)       |
|  | —  | <u>477</u> |
| Contributing members 31 December 2010                                  |    | 477        |

**Age distribution of members**



|        |       |       |       |       |       |       |       |       |       |       |       |       |
|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|        | under |       |       |       |       |       |       |       |       |       |       |       |
| Age    | 26    | 26-30 | 31-35 | 36-40 | 41-45 | 46-50 | 51-55 | 56-60 | 61-65 | 66-70 | 71-75 | Total |
| Clergy | 0     | 13    | 17    | 44    | 65    | 71    | 90    | 72    | 74    | 30    | 1     | 477   |

There are six clergy in the full-time stipendiary ministry who are not members of the Fund having been granted exemption on entering service and there is one who elected to leave the Fund and make independent pension arrangements.

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**4. PENSIONERS**

**(a) Retired Clergy**

|   |            |
|---|------------|
| Retired clergy on pension 1 January 2010      | 257        |
| Add: Retirements during the year              | 10         |
| Add: Deferred, became payable during the year | 2          |
| Deduct: Ceased on death during the year       | (19)       |
| Retired clergy on pension 31 December 2010    | <u>250</u> |

**(b) Surviving Spouses of Clergy**

|   |            |
|---|------------|
| Surviving spouses on pension 1 January 2010   | 219        |
| Add: Commenced during the year                | 14         |
| Deduct: Ceased on death during the year       | (21)       |
| Surviving spouses on pension 31 December 2010 | <u>212</u> |

(Note: The total of 212 includes 17 widows of members who either retired or died before 1976 and 11 widows of voluntary members (see section 7))

**(c) Children**

|  |          |
|--|----------|
| Child Dependency Allowances 1 January 2010   | 7        |
| Add: Commenced during the year               | 0        |
| Deduct: Ceased during the year               | (0)      |
| Child Dependency Allowances 31 December 2010 | <u>7</u> |

**5. PENSIONS IN PAYMENT**

The annual rate of pensions etc in payment at 1 January 2011 are:

|                               | €                | and | £                |
|-------------------------------|------------------|-----|------------------|
| Clergy                        | 1,505,121        |     | 2,030,612        |
| Surviving spouses and orphans | 1,400,622        |     | 1,014,731        |
|                               | <u>2,905,743</u> | and | <u>3,045,343</u> |

**6. DEFERRED PENSIONS**

There are 98 clergy with entitlement to deferred benefits as at 31 December 2010.

**7. PENSIONS IN PAYMENT**

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collapse in global asset values together with an increase in life expectancy of the members of the Fund.

In early 2010, the Board considered in detail and supported a proposed (new) Funding Proposal, developed by the RCB Executive Committee to address the MFS deficit in the Scheme. Details of the proposed Funding Proposal were brought to the General Synod 2010 and incorporated the following key elements:

- capital transfers to the Fund of €m per annum for five years from central funds;
- increased annual contribution rates of dioceses/parishes and members from 26% to 30% with a planned further increase in 2015 to 34% if required;
- freezing Minimum Approved Stipend (MAS) for the years 2010 and 2011;
- basing the calculation of pension for the duration of the Funding Proposal (that is up to 2019) on Final Pensionable Stipend. Pensionable Stipend was set at equal entitlement to the 2010 level of MAS. Thereafter, it would be considered for increase each year by an amount which is somewhat less than inflation (as per page 121 in last year's *Book of Reports*);
- there would be no increase in pensions in payment on 1 January 2010 and 2011, and for the period up to 2019 it was assumed in the draft Funding Proposal that pensions in payment would increase by no more than 1% less than inflation.

**New Funding Proposal required** – it had been anticipated that the above Funding Proposal, incorporating the changes also referred to above, would be submitted to *An Bord Pinsean* by May 2011 for approval by that body. However, for the reasons set out in detail in the report of the Representative Body (see page 43) this did not happen and as indicated there, the Representative Body has decided to await sight of the proposed new legislation relating to the governance of defined benefit pension schemes before any new Funding Proposal is developed and submitted. It is unlikely that this will happen until after July 2011.

**Triennial Actuarial Valuation** – this valuation report as at 30 September 2009 (and dated 29 June 2010) is included as Appendix A to this report (page 160).

**Contribution Rate** – the Members and Dioceses/Parishes 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) was increased from 26% to 30% of Minimum Approved Stipends with effect from 1 January 2011. This figure is made up of:

| <u>Rate</u> | <u>Source</u> |
|-------------|---------------|
| 9%          | Members       |



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|            |                   |
|------------|-------------------|
| <u>21%</u> | Dioceses/Parishes |
| 30%        | Total             |

In addition, there is a contribution rate from central funds which for 2010 was calculated at 8.2% of Minimum Approved Stipends.

**Contribution from central funds for 2011** – a transfer by the Representative Church Body of €5m under the Funding Proposal took place in 2010. As set out previously it is proposed that a further €20m of capital from central funds be paid into the Fund over the years 2011/2014. As the proposed capital sums are paid into the Fund, the contribution rate of 8.2% of Minimum Approved Stipend will, in effect, decrease except for the contributions payable under Section 39 of Chapter XIV. The transfer from central funds (€85,706 and £504,363 – equivalent to €871,698 in 2011) is included in the recommendations to the General Synod for allocation from the Income and Expenditure Account of the Representative Church Body (see page 20). This (reducing) allocation is calculated on the formula in Section 38 of Chapter XIV and forms part of the overall contribution level to enable the Board and the Trustee to meet its statutory obligations under the *Pensions Act, 1990* and meet the Minimum Funding Standard originally set for 30 September 2011.

#### 9. 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<sup>2</sup> (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 2010 lump sums totalling €194,714 and £133,400 became payable under the above headings in respect of 6 members as follows:

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

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Died in service (1); died within 5 years following retirement (0); paid before NRA (0); paid at NRA (0); paid on retirement (5); deferred pension (0).

**10. 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 in 2010 (with the inclusion of updated contribution rates for 2011) incorporates recent changes in pensions legislation and regulations together with 'best practice' and has been forwarded to every member. A copy is also available to any member on request to the Assistant Secretary.

**11. INTERNAL DISPUTE RESOLUTION (IDR)**

As required under pensions legislation the Board and the Trustee have put an Internal Dispute Resolution Procedure in place. A copy of the IDR Procedure may be obtained on request from the Assistant Secretary.

**12. ACTUARIAL CERTIFICATE**

The Actuarial Certificate as at 31 December 2010 (dated February 2011) is included as Appendix B to this report.

**13. 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.

**14. 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 101 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.

**15. 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 156 and 157).

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Standard Life Euro Cash Fund for members in the Republic of Ireland – Standard Life has informed the Trustee of the Scheme that the Fund is closed to new members and existing members will not be permitted to increase their regular contributions. A review of the Scheme will now take place.

### 16. 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 and benefits in relation to the Northern Ireland subdivision for 2010 and 2009 as shown in the Financial Statements. It is hoped that this schedule will be helpful in studying the accounts.

|   | 2010<br>£'000 | 2009<br>£'000 |
|---|---------------|---------------|
| Contributions                             |               |               |
| - Members - normal                        | 459           | 350           |
| - additional personal                     | 50            | 51            |
| - Dioceses                                | 1,166         | 1,075         |
| Representative Church Body                | 512           | 511           |
| Pensions to Retired Clergy and Bishops    | 2,025         | 2,025         |
| Pensions to surviving spouses and orphans | 1,035         | 1,024         |
| Commutation of pensions                   | 133           | 114           |
| Death benefits                            | -             | 93            |

### 17. 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’.