EMBARGOED UNTIL FRIDAY 13 MAY 2011

General Synod 2011

Report of the Representative Church Body

Proposed by S Gamble, Diocese of Derry and Raphoe, Chairman, RCB Executive Committee

Your Grace

The entire population of Ireland continues to confront serious economic problems. Members of our Church are not exempt. They face, almost on a daily basis, threats to their employment prospects and downward pressure on their disposable incomes. These pressures will continue unabated as we confront further sweeping austerity measures. For many there is little light at the end of the tunnel.

On previous occasions whilst proposing the report of the Representative Church Body to General Synod, I have referred to the perceived wisdom of notable historical figures. As we entered the current economic downturn in 2008, I called on the advice of Colbert, finance minister to Louis XIV of France at the beginning of the eighteenth century. He had in mind that the government, in raising ever greater sums of money for the national coffers, behaved like someone attempting to pluck the feathers from a goose which was still alive.

The critical threshold, he argued, was arrived at when the goose began to squeal. I have similar concerns when the RCB considers it necessary to place additional pressures on parishes in order to provide funding to meet the operational needs of the Church.

Today, your Grace, I want to call on the words of someone more local to us in Ireland and indeed to our Church of Ireland. In his poem of 1770 entitled "The Deserted Village", Oliver Goldsmith includes the following:

"Ill fares the land, to hastening ills a prey,
Where wealth accumulates, and men decay:"

The Representative Church Body is obliged to seek the approval of General Synod every year to its performance as trustee for the Church of Ireland. Each year the Book of Reports outlines this performance and commences with a clear statement of the Mission and Responsibility of the RCB. The report contains substantial detail, and it is not my intention to refer to each section in turn. I will however attempt to present the salient issues for consideration by this House.

Beginning with Outcome and Performance.

The RCB has successfully managed the finances of the organisation in 2010 and achieved a reduction in the deficit on normal activities from €751,000 to €247,000. Whilst generating a deficit is not ideal, this is a respectable performance in current circumstances – income is still more than 20% below 2008 levels (when we generated a surplus of €614,000). The improvement in 2010 can be attributed to a number of factors:

1. Stabilising of income in euro terms;
2. Continuing reductions in Church House expenses;
3. Commendable responsiveness by the committees of the General Synod to the need to control allocations spend.

As far as the first of these factors is concerned, after falling by €2m in 2009, total income increased a little (by €200,000 in fact) to €6.4m. This was in part due to a tactical short term pursuit of income – the investment portfolio had been repositioned in 2009 into more interest-bearing assets, which helped the income stabilising process. It was also achieved in a slightly more benign exchange rate environment, as sterling during the year regained a little ground against the euro, which was beneficial.

By the end of 2011, the Investment Committee plans to have re-established the long-term shape of the portfolio, which would be predominantly in equities and other 'real' assets, which gives the chance of future growth in value and a better opportunity for income and capital to keep pace with inflation. There may be a short-term income sacrifice, but this is manageable and will be for the long-term good.

In relation to Church House operating costs – net operating costs continue to be managed downward. In 2010 they were 11% below 2008 levels, despite a fall of €250,000 in offsetting accounts recharged for central services. The total fall in Church House costs before this loss of offsetting income is €492,000 per annum in 2010, a percentage fall of 13.4% compared to 2008. Operating expenses are expected to fall again in 2011 as more of the cost benefits of a voluntary severance programme in 2010 feed through the system. Last year I paid tribute to those members of staff in Church House who opted for voluntary redundancy and in doing so enabled us to reduce our operating costs as I have just outlined. This year I would wish to place on record our appreciation of the remaining staff in Church House. They have experienced substantial changes in their workloads and daily routine and have willingly assisted us to hold our costs in check. They should be assured that the Representative Body acting as servant of the General Synod will always endeavour to value fairness over mere efficiency.

Before leaving the aspect of operating costs, there is concern at the escalating costs arising from the administration of the new clergy disciplinary procedures. I will return to this matter in a few moments.

The third factor is the need to control allocations spend.

This year, as last year, I am able to report that the appeal from the RCB's Allocations Committee to spending committees to control and where possible reduce expenditure has been positively received. The allocation request from the Standing Committee for expenses excluding people costs has reduced by 40% in two years. The allocation for the costs of running the Church of Ireland Theological Institute are budgeted for 2011 at 7% less than they were for 2008.

Additionally,€298,000 – or more than 6% of the already reduced overall allocation provided for 2010 – was not spent in the year, and was able to be redeployed for 2011.

I would wish to place on record our sincere thanks and appreciation to the various committees who have co-operated to bring about these cost savings. We must be vigilant and maintain these lower levels of expenditure. Our thanks also to the Allocations Committee and their Chairman, Mr Graham Richards. In these straitened times we are fortunate indeed to have people serving on our committees who have such empathy and focus. Not only do the various elected committee members give freely of their time and expertise, but it is also worth acknowledging that the travel cost reimbursements claimed by them fell by €19,000 in 2009 and by a further €16,000 in 2010. Some of this has been enabled by the use of audio and video conferencing.

Earlier I referred to concern at the substantial costs currently being incurred in the administration of clergy disciplinary procedures. Whilst the efficacy and suitability of the process are being kept under review by the Standing Committee, there is nevertheless an urgent need to re-deploy existing funds to address these rising costs. In this regard, it would be desirable to access the Clergy Severance Fund, which currently amounts to a little over €600,000, and which has been created through a levy on parishes and has not been actively levied since 2007. A recent case has resulted in costs in excess of €100,000. Clearly if further demands arise there is a need to re-classify some of the existing reserves to meet our future financial obligations. I suspect that enabling legislation will be required to address the situation and the RCB anxiously awaits the recommendations of the Standing Committee.

My comments in relation to the operating expenses of the Representative Body did not include comment on the effect of the transfer of €5m from General Funds to the Clergy Pensions Fund. Synod members will recall that approval was given to transfer €5m initially with a view to making similar transfers in the years 2011-2014. The transfer already executed has impacted on the value of General Funds at the year end, as well as the ongoing revenue-producing capacity of General Funds. More positively, it has helped, together with a general increase in asset values in the Clergy Pensions Fund, to deliver a €14m or 14% improvement in pension related assets at the year end. Let me therefore turn to the issues of the solvency of the Clergy Pensions Fund.

On page 43, the RB's report indicates that the Actuary to the Clergy Pensions Fund advised in September 2010 that, while the long-term funding position of the Fund had been enhanced by the various changes agreed at last year's General Synod, these changes were no longer likely to satisfy the Minimum Funding Standard deficit, due primarily to the historically low levels of interest being earned on high quality, long-term bonds. The report further advises that the working group established to develop proposals to make good this deficit had recommended to the RB that it believed it would be premature to propose any further radical changes to the Clergy Pensions Fund pending sight of new pensions legislation which had been proposed by the Government in the Republic of Ireland.

This week's announcement by the Irish Government that a jobs initiative programme was to be funded by a levy on private sector pensions has added a new dimension to the ongoing pension discussions. Details of how exactly this levy on pensions will work are still awaited, and when they are known, we will have to see exactly what impact they will have on clergy pensions.

However, I would like to reassure you, in light of the strength of feeling expressed yesterday during the debate on the report of the Pensions Board, that we will indeed be taking every opportunity to make strong representations in relation to our specific situation. Our pension scheme is unusual in that it provides pensions for members in two distinct jurisdictions.

Let me now update you as to where we currently are in relation to other pension-related matters.

Firstly in relation to the promised pensions legislation, the Actuary has advised us that there have been no further developments to report. In fact, it now looks unlikely that any new legislation will emerge before the middle of this year at the earliest. Accordingly the Actuary has confirmed that it would be premature to file a Funding Proposal to seek to resolve the short term Minimum Funding Standard deficit in advance of sight of such legislation. The Actuary was also asked to re-look at the long-term funding position of the Clergy Pensions Fund and I am pleased to be able to reassure members of General Synod that he has re-confirmed that the long-term funding position of the Fund remains enhanced by the changes agreed by the Synod in 2010. While this is undoubtedly good news, I should remind you all that one of the changes agreed last year, and which the Actuary has factored in when arriving at this conclusion, was an increase in the overall contribution rate to the Fund in January 2015 from 30% to 34%.

As was indicated in the RB's report to General Synod last year, on page 119, it was decided that alternatives to increasing the contribution rate to 34% would be explored by the working group, and if a less onerous alternative could be identified, it would be pursued. Last year's report cited, by way of an example of such an alternative, a possible increase in the retirement age of existing clergy. While no definitive proposals in this regard are being brought forward at this time, I wish to confirm that this possibility is still under review. However, more work is yet to be done in order to seek out the best solution for the greatest number of people.

Following legislation enacted at last year's General Synod, the Church of Ireland Clergy Pensions Trustee Limited has been incorporated under the chairmanship of Mr Bruce Maxwell. It is a wholly owned subsidiary of the RCB. Mr Maxwell is a former chief actuary in Irish Life.

Moving to consideration of Minimum Approved Stipends, I am acutely aware of the sensitivity of this issue. The RB's Stipends Committee, under the chairmanship of Mr Henry Saville, has grappled with such sensitivities courageously. Assessing an appropriate level of remuneration is an unenviable task. No doubt the proposals this year will again generate considerable comment.

As far as the process of determining an appropriate timetable for review of stipends is concerned, this matter is before General Synod by way of changes to legislation, and it is not my intention to comment further. There is adequate opportunity to examine this issue and the associated issue of Pensionable Stipend as it passes through the various stages in Synod.

I said at the outset that the Representative Church Body is obliged to seek the approval of the General Synod to its performance as trustee for the Church of Ireland. It has been my experience over many years that considerable attention is paid to the role of the trustee in the management of the physical structures which comprise much of the property of the Church. I want however to comment upon a particular aspect of the RB's ability to perform appropriately. By 'performing appropriately' I really mean in a considered and timely fashion. Last year saw positive growth in the value of our Balance Sheet from €448m in 1009 to €463m in 2010. Compare this with the heady days of the Celtic Tiger, when we had €750m on our Balance Sheet. When reporting performance, and particularly reporting negative movements, there is a huge temptation to swamp the listener with statistics and thereby deflect possible criticism.

The financial crisis, internationally and domestically, up to the end of December 2010, eroded 40% of the value of General Funds and 50% of the value of the Republic of Ireland General Unit Trust. The Northern Irish Unit Trust, having no exposure to Irish financials, was less badly affected by the crisis and, as can be seen from the Book of Reports, on page 81, has managed to show positive growth over both 3- and 5-year periods.

Although the RB suffered a substantial reduction in capital values post-December 2006, particularly in the performance of Irish financials, their performance over the longer term was a lot better than the figures would suggest. Over the twelve-year period since 1998, looking just at its two major holdings in AIB and Bank of Ireland – between dividends, realised capital gains and a small residual holding – it earned €53m over and above cost.

It is all too easy with the benefit of hindsight to argue that a more speedy response to a rapidly deteriorating situation might have mitigated the extent of our losses. We have been utterly transparent throughout and I commend the enormous dedication and commitment of the Investment Committee, under the chairmanship of Mr Robert Neill, and also of the staff in the Investment Department in Church House. They continue to serve us well.

Finally, may I turn briefly to that section of the Report of the RCB which deals with Property and Trusts, starting on page 33. This section contains extremely useful advice and I commend it to Select Vestries. It provides guidance and gives information on procedures required for the proper management of our Church's building stock, be it churches, glebes or parochial lands and structures. In relation to See Houses, I can report the following:

1. Armagh – The new See House is under construction and scheduled for completion early in 2012.

2. Limerick – Agreement has been reached to purchase a site, subject to planning.

3. Kilmore – A planning application has recently been lodged.

4. Tuam – The existing See House is due to be placed on the market shortly and suitable alternative accommodation is being sought.

Earlier in my address to Synod, I extended our sincere thanks to all members of staff in Church House. I am sure that our staff will forgive me if I make specific mention of one person. Mr Philip Talbot retires later this year from his post as Head of Investments, having completed forty-four years' continuous service in Church House. We thank you Philip for your dedication over these years, and should you decide to write your memoirs, I am sure they would make a riveting read. We wish you well in your well-earned retirement.

I began this morning by quoting a few lines by Oliver Goldsmith, and I will conclude by adding the remaining lines to that particular verse. As I do, I draw attention to the enormous efforts made by all those in our pews who work at parish and diocesan level to ensure that they meet their financial obligations. The minimum obligation that a parish must fulfil, before care for the church, the glebe and the hall, and all the other expenses of parish life, is in the region of £40,000 sterling or €55,000 euro to support the incumbent per cure. Like the parishes, the central Church is not immune to the squeeze on the economies in both parts of Ireland. Careful stewardship by the RCB and an excellent response from the Standing Committee have kept the impact in 2010 to manageable levels. This effort needs to be maintained to ensure that central Church finances are conserved to support the mission of the Church of Ireland in the future. We must not borrow from, and jeopardise, the future to avoid careful management now.

Back to Oliver Goldsmith:

"Ill fares the land, to hastening ills a prey,
Where wealth accumulates, and men decay:
Princes and Lords may flourish, or may fade:
A breath can make them, as a breath has made:
But a bold peasantry, their country's pride,
When once destroy'd can never be supplied."

Your Grace

I beg to propose that the Report of the Representative Church Body be taken into consideration.