

EMBARGOED UNTIL FRIDAY 11 MAY 2012

General Synod 2012

Report of the Representative Church Body

**Proposed by Robert Neill, Diocese of Glendalough,
Chairman, RCB Executive Committee**

Your Grace

The RB report runs to over 180 pages so I must be selective....

65 pages relate to Pensions which we have already covered so The Bishop of Clogher and I will selectively address the remainder. I intend to deal with the financial review and then to say something about the RCB itself.

This is the year of glasnost. The accounts are now presented in a format that may more easily be understood. There is a comforting double page called a SoFA, otherwise the Statement of Financial Activities on pages 66 and 67 of the Book of Reports. It breaks down the funds under management between RCB General Funds and Parish, Diocesan and Other Trust Funds. The funds at our disposal are the General Funds; the rest are held on trust for others. The perception in past years is that all the monies were at the disposal of the RB and that we were extremely mean in using them. When you see what is actually available to the RB and the demands made upon it, it is clear that the situation was never that rosy.

The income generated in 2011 was €7.47m (€100,000 more than the previous year), the cost of operations reduced by €39,000 and Allocations reduced by €330,000. However the net result was an overall shortfall of €4.4m on account of the special contribution to the Clergy Pensions Fund of €5m. On top of that the value of the investment portfolio fell by €7.6m. Thus General Funds were reduced by €12m in the year – a sobering outcome given that General Funds are now depleted to €131m. That figure is a little over twice the MFS deficit already described.

In order for the RB to service the needs of the Church, it needs to generate €7m pa of which €6.1m must come from General Funds. That is a yield of nearly 5% pa.

In 2011, €4.2m was spent on Allocations. To this must be added the cost of running the RB at a net €2.68m which adds up to nearly €7m. Allocations for 2012 are higher at €4.4m largely due to the costs arising from the intern year of the 3 year CITI training and the extra costs for the provision of See houses making a total of €7.1m.

Where does the money go?

The RB contribution to the costs of the Episcopacy and University Chaplains is €1.5m

Annual contributions to the Clergy Pensions Fund cost €0.7m

Training of Ordinands (net of a subvention) costs €1.3m

General Synod activities cost €0.9m

RB/Church House irrecoverable overhead €2.7m

Total €7.1m.

The actual cost would be greater but for the costs of the episcopacy being shared with the dioceses and for the direct recovery of costs incurred by the RB in providing a range of services. A figure of €535,000 is shown in the SoFA for financial services; the other recoveries are offset against the costs at source.

RB overheads have been reduced with an overall reduction of €200,000 pa since 2008, despite our incurring extra costs from various quarters.

We state on p.58 that “The preservation for future generations of the resource represented by General Funds is regarded by the RCB as being of prime importance” and that “the strategy...will be to rebuild capability for the longer term”. With this in mind, we are introducing, over the next 4 years, the concept of “Total Return” to the management of General Funds. This allows the managers to create a more diversified portfolio in pursuit of a long term sustainable return, over and above inflation, estimated at 4% pa. Instead of relying on income, we will employ a disciplined withdrawal policy while allowing the funds to grow in real terms over the longer term. The withdrawal rate will be 3.5% pa with 0.5% reinvested for capital growth. The policy provides for smoothing any fluctuations and will rely on using the Allocations Reserve during the transition period. This method of managing withdrawal levels and investments over the long term is well tried and tested and has been adopted by many charitable bodies and foundations internationally.

The move to the SoFA is well suited to the Total Return concept as it records the whole performance of the fund. The impact on capital in the long term is actually what we have to be concerned about. Previously that was consigned to the Balance Sheet. In the old accounts format, we would have been reporting a surplus of income for the year, which would have ignored that the value of General Funds at our disposal had gone down quite dramatically.

General Funds began in 1870 with Bishops and Clergy generously commuting their disestablishment annuities to the newly created trustee body, the RCB. These funds are designated for the “support of the Ministry of the Church”. Preserving these for future generations is paramount - unless or until you tell us that we should spend dead men’s money and begin to live like some other churches on what is raised at parish level annually. To give you reassurance that General Funds have survived in the long term, this is a graph of their performance over the 30 years since 1981.

You can see the two peaks that occurred in 2001 and 2007 and that values have fallen back closer to the long term real value in inflation adjusted terms. The extraordinary gain during the Celtic Tiger years has been wiped out, but the long term value remains.

One ghost to lay to rest is that General Funds were over exposed to Irish Financials. At the peak in 2006, the RB had €23m in Irish Financials, representing 9.8% of the portfolio relative to the ISEQ index weighting of 45%. We had gradually been reducing the weightings in percentage terms over the 8 years up to December 2006.

Moving to stipends, these have been frozen in the RoI since 2009 and increased by 2% in NI for 2012 while Pensionable Stipend has been frozen in both jurisdictions. We recommend the levels of MAS and Pensionable MAS to Standing Committee so each of these decisions will have been agonised over by 4 different bodies. We know the decisions present difficulties for serving and retired clergy. To freeze pensionable stipend north and south is to use a blunt instrument and we don’t like it but we see no alternative while the whole pensions debate continues.

I want to turn now to the RCB itself. There’s an amount of confusion and as one senior person said recently “No-one knows what the RCB does”. Let me explain. The RCB is the trustee for all the assets, property and financial, vested in the Church. As trustee we are bound by civil law but we are governed by General Synod and accountable to General Synod. Our membership comprises all the bishops, 12 clergy and 24 laity elected by the Dioceses and 12 co-opted members. Thus the membership of 60 includes 24 clergy, half of whom are facing you.

Returning to glasnost, there are a lot of misconceptions some of which the Bishop of Clogher will address. I shall address one which is the perception that the RCB and General Synod operate in different spheres. One bishop wrote:

“Unfortunately there seems to be a tendency within the Church for the practitioners of Maintenance and Mission to inhabit different conceptual universes.

- Maintenance people appear to regard mission people as dim-witted but self opinionated fantasists who would bring the entire operation to its financial knees.
- Mission people appear to wonder if maintenance people ever have a single unsecular thought in their heads, in that they might as well be marketing turnips.”

The bishop was of course wrong and he had a foot in both camps anyway! Let me assure you that the RCB is fully supportive of Mission and sees itself as an integral component of the provision of Mission. But we do accept that there needs to be much more inter-action between Standing Committee and the RB and I look forward to continuing a dialogue with the Honorary Secretaries which is already in train.

The maintenance people to which the bishop referred are by and large the 36 lay members of the RB supported by the full time staff. All the lay members give their time and talents free. In this context, Gordon Linney recently recounted the story of a young nun in Kerala who was bathing the open sores of a leper. A passer-by said “I wouldn’t do that for a million dollars” to which the nun replied: “Neither would I; I do it for Jesus Christ”.

The RCB is here to be of help. Please visit the stand in the crypt (our first ever stand) which carries the banner “Supporting and Serving the Church Community”.

I would like at this point to add to the tribute paid yesterday morning by the Archbishop to the late Canon JLB Deane who, in addition to his distinguished service on the General Synod and the Pensions Board, served as a member of the Representative Body for 44 of his 88 years. He had a brilliant and incisive mind and gave most of his life to the Church of Ireland.

Finally, I wish to pay tribute to my colleagues on all the various committees and especially to the committee chairmen and the staff of Church House who serve the whole Church so well.

On the staff side, we said farewell last year to Philip Talbot after 44 years of valuable service and welcomed Roy Asher as Head of Investments. Roy was Chief Investment Officer with Aviva Ireland and has already made a useful contribution. As mentioned by the Archbishop, at the end of August this year, the Chief Officer will be retiring and will be succeeded by Adrian Clements, currently Head of Finance. Denis Reardon will retire after 15 years with the RB and at this, his last Synod, I would particularly like to commend him for his stewardship as Chief Officer of the organisation over ten years, during years of plenty and the recent lean years when circumstances have made his job unusually difficult.

Your Grace

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