EMBARGOED UNTIL FRIDAY 9 MAY 2014

General Synod 2014

Report of the Representative Church Body

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

Your Grace

This has been a challenging year for the RCB.

The Bishop of Limerick and I have 25 minutes to give you a resume of the year's work but in a long Report, I will necessarily be selective and focus on General Funds, Investments and Pensions.

The RCB is legally responsible for a vast range of assets. The financial assets alone amount to over €550 million. They comprise General Funds, Parish, Diocesan and Other trust Funds and the Clergy Pensions Fund. The assets also include property in every parish of the country, including cathedrals, churches, halls and rectories. And they include 35,000 historic trusts of which 20,000 are still active.

GENERAL FUNDS

General Funds grew over the years and peaked in 2006 at €236 million though fell significantly in the financial crisis of 2007. Much of that loss has been recovered and General Funds now stand at €161 million, which as the blue dotted line on the graph shows, brings us back to 2003 levels. We are in a much better place than a few years ago. And that is after €20 million was transferred to support the Clergy Pensions Fund and €45 million was paid out in allocations and overheads, though ignoring the income earned.

TOTAL RETURN

General Funds have been managed for the last two years on a Total Return basis (described on page 16 of the Book of Reports). The policy allows the managers to diversify the portfolio in favour of long term performance, measured in both capital and income, instead of chasing income as a goal in itself.

It works on the assumption that General Funds can, over the long term, earn a total return (income and capital growth) of 4% pa. Of this we plan to spend 3.5% and allow the remaining 0.5% to accrue to the capital value of the funds. To provide for the future, we should, over the long term, limit our annual expenditure to 3.5% of the capital value (adjusted annually for inflation).

We are doing well on the capital front. In the last year General Funds increased by 5.7%, after all expenditure, comfortably outperforming the long term objective of 0.5%.

In terms of income, we are not at a stage where we are spending just 3.5% but we are heading in the right direction. The graph shows the performance of the policy backdated to 2002. We need to get the blue line on the graph down to the level of the red one, if we are to allow General Funds to grow for future generations.

Assuming we achieve our objectives, we will be building capacity for the future, and gifting something to future generations. We have now reached a stage where, in the absence of major shocks, the situation is becoming more sustainable. The green line on this graph will rise assuming funds grow in real terms by 0.5% pa and in time, with careful control of costs, the gap will close. In the meantime we have the Allocations Reserve of €4.4 million to smooth the path.

The income and expenditure are shown on Pages 68 and 69. Income is not the fundamental requirement it was before Total Return was introduced but it’s worth noting that it was down 6% on the previous year. Overhead was consistent with the previous year, but with swings and roundabouts.

Note 5 shows a €120k savings in custodian fees and in external fund managers' costs by taking the management of fixed income in house.

Allocations from RCB funds in support of the work of the Church were €4.3 million. They comprised:

Episcopacy and University Chaplains (55% of total cost)	€1.5 m
Pension Related Costs	€0.5 m
Training of Ordinands	€1.4 m
General Synod activities	€0.9 m
	€4.3 m

All these Allocations and other expenditure items are confined to the RCB, which is self-sufficient. No dioceses or parishes contribute to any part of that €4.3m.

Let me turn to those items to which the parishes/dioceses do contribute. For 2014, these will be:

- the balance of the cost of the Episcopacy
- the cost of child protection officers
- the levy to support past service deficit of the Clergy Pensions Fund

2014			Republic of Ireland	Northern Ireland
Based on number of cures and recognised offices				
			€	£
Episcopal Levy	6.60%	of MAS	2,390	1,768
Child Protection Levy	0.50%	of MAS	181	134
CPF Levy	13.00%	of MAS	4,708	3,482
Total Levies per Cure			**€7,279**	**£5,384**

Those are the only items to which parishes contribute. They should not be confused with what else is levied on a parish within its diocesan contribution, which, for most dioceses, goes to meet stipends, pensions and other diocesan expenses.

No one diocese subsidises another, except to the extent that some dioceses have more cures (or parishes) than others and the levies are per cure.

PENSIONS

Turning to Clergy Pensions, these are covered at length in the Report. 2013 was a momentous year. The main changes are set out on page 117. The CPF, valued at €127 million, was in deficit according to the Minimum Funding Standard by €45 million and the situation was likely to get worse given the projected changes in demographics. The deficit was in respect of "past service deficit" meaning the problem arose because the scheme was underfunded as a result of demographic changes, prevailing low interest rates and new regulations. The problem was not peculiar to the Church of Ireland but widespread in industry with many schemes being closed or wound up.

The decision was made at General Synod last year to close the fund to new entrants and to future accruals for all members from 31 May 2013, to restore the pension fund to solvency over 10 years (to 2023) and to introduce two new DC pensions schemes, North and South, to provide for all future service from 1 June 2013.

Restoring the fund to solvency was to be, and is, a painful process. It involves freezing all pensions in payment and all Pensionable Stipend for the funding period – or until the Fund can afford it (and the Actuary agrees). It also requires increasing the retirement age gradually to 68, drawing further on General Funds - and the levy (at 13% of MAS) in respect of all ordained clergy.

It is an obligation on a parish even where it has no serving stipendiary minister and relies on an NSM. This is because the cost is the responsibility of the whole church to bear, as it relates to service of clergy over a long number of years, not just to those currently holding cures.

In part amelioration, the new DC Schemes are less expensive to fund as they do not have to take account of the past service deficit. The DC schemes require contributions from members of 9% and from dioceses of 10% totalling 19% of MAS.

The overall costs of the revised arrangements to dioceses are thus. A potential annual cost of 42% has been reduced to 32% which compares to total contributions before of 30%. Thus an increase of 2% pa of MAS has been applied across the board.

We recognise that there is an anomaly in the legislation and it is proposed to bring a Bill to Synod next year to tidy up the whole of Chapter XIV of the Constitution.

The Staff Pension Fund has suffered similarly. To address its funding shortfall, changes in the scheme have been approved by the Pensions Administrator for the adjustments necessary to bring it back to solvency over a 10 year period. This has required the members foregoing considerable benefits. It was closed to new entrants in 2007.

INVESTMENTS

Investment of the Funds under management all continued to perform well. The performances of our own funds are shown on screen. They show total returns of between about 10% and 14% despite being conservatively invested with equity exposures of only between 54% and 57%. Both the in-house team and Irish Life Investment Managers are expressing caution about the markets especially with the upcoming ECB quality review of bank assets.

The two Unit Trusts offer a very cost efficient way of investing money. They pay a dividend of about 3.5% pa. I encourage Parish and Diocesan Treasurers to talk to those on the RB stand in the crypt and to support the in-house investment resource wherever possible by considering these products as an alternative to using external fund managers. Performance is consistently good and Management fees are a fraction of what is charged elsewhere.

Please be assured that any monies you invest can be realised at short notice without restriction. There is a myth out there that when you give something to the RB, whether property or money, it is lost for ever. This is not true. The only property or money pledged to the care of the RB, under rules laid down by General Synod, is that arising from the sale of glebes or churches. The Constitution provides that glebe monies have to be applied, or held in trust, for a new glebe (with some exceptions) and monies from the sale of churches are apportioned generally 80/20, 80% applied or held in trust for the parish and 20% for the Church Fabric Fund. All other monies or investments are freely available to their owners at any time without limitation subject to the terms of any trust.

It is 145 years since the passing of the Irish Church Act of 1869 which provided for disestablishment of the Church of Ireland and the creation of the RCB. At that time, the Government provided £7.6 million to provide salaries for life for the bishops and cIergy then serving. When all the obligations to serving clergy had been met, a total of £3.5m became the property of the Church. That amounts to £175m in today's money.

The Church today collectively has huge assets but are we deploying them to the advantage of the whole church? Most of the capital in Specific Trusts is used for subventing parishioner's annual dues but not invested for the glory of God.

If we are intent on improving our ministry and outreach, we must be willing to put these assets to work. The Primate yesterday quoted the words of Our Lord "Freely you have received, freely give". He encouraged us to embrace a vision for the future in a spirit of collaboration. Let us start by beginning to recognise that what we have belongs to the whole Church of Jesus Christ.

Last year I floated the idea of sharing resources, stated in a Synod report 24 years ago as being "vital to the health of the Church". One diocese took up the challenge and is making progress but may have to introduce enabling legislation at Synod to move it forward. We should review the Constitution and identify what changes are required in order to facilitate similar initiatives.

Let me in conclusion list the guiding principles of the RCB. They are simply, three.

1. Jesus Christ. 2. Care of the resources of the Church. 3. Support for Mission.

Drilling down, the issues that concern us currently are:

- Increases in stipends and pensions
- Reform of structures
- Simplifying property transactions
- Implementing the Vision for Long Term Church

To these I add ambitions I share with the Secretary General:

- Offering an HR resource
- Housing in retirement or ill health
- Recognising the value of NSMs
- Supporting new initiatives in Church and promoting the Gospel

Finally may I wholeheartedly endorse what the Archbishop of Armagh and others said yesterday in tribute to the staff of the RCB and to my fellow members whose volunteering commitment is so much appreciated.

Your Grace

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