EMBARGOED UNTIL FRIDAY 8 MAY 2015

General Synod 2015

Report of the Representative Church Body

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

Your Grace

The introduction to the Representative Body (RB) Report, in pages 14-16 of the Book of Reports, reminds us that we are entrusted with the management of the Church's assets, that we are elected by the dioceses for that purpose and that we are responsible to General Synod. Our function is to serve and support the ministry of the church, while also performing our duties as trustee of the assets, be they property, general funds, investment trusts or pensions.

I will begin with property and trusts – only because they normally come last – and if I can hold your attention long enough I shall end with some controversial ideas on the disposal of property.

Property and Trusts are reported on in pages 30-44. We are responsible for property in every parish of the country, including churches, cathedrals, halls and rectories, about 10,000 in all. As mentioned by the Primate yesterday, we have made one great leap forward with the introduction of a computerised database of all property in our care. This is the first comprehensive revision of the records since 1941 and means that parishes will be able to gain access to data more easily. The current stage of development is that the records of 10 dioceses are complete and live. This is the summary slide for those 10 dioceses. The remaining 2 dioceses will be added next month. The next stage will be verifying with parishes that their own data matches ours. This next slide shows summary statistics on numbers of church buildings and glebes for the 10 dioceses completed so far, broken down into categories showing the current status of those buildings.

The Property report is a mine of information and a useful reference tool for all those involved with property on a daily basis. It provides advice on grants, conservation and legislation as well as redirection to useful websites.

Turning to Pensions, the two new clergy Defined Contribution schemes, north and south, were set up in June 2013 with independent trustees and managers. The Church House team continues to help and has conducted a series of briefing meetings around the country to help clergy with the transition and Webinars will be available shortly.

The Clergy Pensions Fund is on a ten year path to recovery. Its report in pages 96-140 of the Book of Reports shows that the assets have grown by 16% (€23m) - although that good news is tempered by the caution expressed in the Actuarial Statement on page 132 – the reason being that Quantitative Easing has driven down the accepted discount rate on long term bonds from 3.8% to 2.15%. The lower the yield on bonds, the greater the cost of calculating the funding liability.

There has been mayhem in the pensions industry, with the closure of many schemes and the collapse of others. We successfully stabilised the Clergy Pensions Fund by the range of measures agreed at Synod in 2013. This slide shows the effect of one measure, being the €25m capital transfer into the fund by the RCB, which with asset growth now adds an estimated €36m to the value of the fund; this slide the same - with the value of the liabilities added in green.

One essential component of the solution was, and is, the freeze on pensions and pensionable stipend for the 10 year funding period – or until affordable as judged by the actuary. The government levy in the Republic of Ireland has had a negative impact on pensions in payment, reducing them by 1.137 %. Modest increases in the North have been applied as required by law.

The next Triennial Actuarial Valuation is due in September. What it may say is conjecture but until Quantitative Easing ends, and interest rates and bond yields rise, we are unlikely to have eliminated the Minimum Funding Standard deficit.

Clergy stipends (reported on page 26) have remained unchanged in the South since 2008 (but this compares with cumulative inflation of 1.1%) and in the North have been increased by 5.06% up to 2014, with a further 2% increase in 2015, but still lagging a little behind average earnings increases in Northern Ireland.

The RCB recommends levels of MAS to Standing Committee for a decision in September. In formulating that recommendation, the RB has regard to our understanding of the ability of parishes to pay. We must remember that, although the level of stipend is decided centrally, stipends are funded by parishes and dioceses; it is just the process that in most cases routes the payment through the diocese and the RCB. Feedback from the parishes represented here will be welcome.

We know that Education costs have far outpaced inflation - which creates difficulties for those with families – but we do not have the resources currently to increase support in this area. A number of charities do offer help for second and third level education costs – some of these are listed here, and details are available from Church House.

Moving on to the funds under our management – how are they performing?

The Unit Trusts have performed well, outperforming their benchmarks as can be seen on page 88 over 1, 3 and 5 years. The Unit Trusts pay a bi-annual dividend amounting to 3.1-3.3% per annum. The following graphs, which are also on display on the RB stand outside, demonstrate the outperformance of the Unit Trusts relative to a notional 50/50 bond/equity fund in the Republic of Ireland and Northern Ireland and relative to cash on deposit in the Republic of Ireland and Northern Ireland. The Unit Trusts are an excellent investment resource - and management fees are a fraction of what is charged elsewhere. Small as the fees are in percentage terms, they make up most of the €585k earned by the RCB and are a major contributor to income. I am not sure whether I should encourage you to invest in the Unit Trusts on the grounds of sound fiduciary judgement or plead with you to support the home team. Either way, please speak to Roy Asher and his team at the RB desk.

And your monies will be readily accessible. There are no restrictions on withdrawals unless the monies result from the sale of churches or glebes, or are bound by the terms of a specific trust.

General Funds increased from €154m to €166m. This was a strong performance for the year and continues the outperformance over the past three years. Going forward it may be more challenging to deliver the same levels of growth as have been delivered over the past 3 years and more modest growth is likely.

Financially, we are making progress. We have survived the worst recession of our lifetimes and RB General Funds, which took the largest hit, have recovered 70% of their value since the losses after 2006, and that is after the transfer of €25 million in support of the Clergy Pensions Fund.

The income generated by General Funds is €6.6 million. It is applied to the cost of central church activities administered by the RB (€3 million) and €4 million to Allocations.

Looking at the use to which the €4 m is put:

Episcopacy and University Chaplains (55% of total cost)	€1.3 m
Pension Related Costs	€0.3 m
Training of Ordinands	€1.4 m
General Synod activities	€0.9 m
	€3.9 m

General Funds are managed over the long term on a Total Return basis which works on the assumption that the funds can, over the long term, earn a sustainable 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.

Over the last number of years we have been rebuilding our asset base and, with prudent management and strong markets, it has comfortably outperformed the capital growth target. At the same time the Investment Committee has been reducing our exposure to risk assets in order to preserve capital. The Committee has concerns about current equity valuations. It has been reducing reliance on this asset class, while seeking opportunities in other areas. This will mean that we are unlikely to match FTSE performance in a good year but it will give us some protection in a downturn.

The growth in asset values, together with continued restraint on spending, has allowed us to come back to a position whereby our future withdrawals are projected to fall back towards the long term target level of 3.5%. 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). In 2014, we spent 4.37% of the capital base defined as the 5-year average capital value. The graph shows that trend projected towards 2023 based on today's spending levels and assuming asset growth based on the Total Return rule.

I hopefully have demonstrated that we continue to keep the ship on an even keel and do our best to support and serve the wider church as best we can.

The RB's Socially Responsible Investment statement has been revised and is included on page 89. The rationale for an amended statement was based on the view that it would be preferable to adopt a more positive and proactive stance with a focus on Environmental, Social and Governance issues (ESG). This is in line with what is happening in the 'outside' world. The underlying restrictions (tobacco, arms etc) remain in place and the statement should be viewed as a stronger and more current policy statement with Environmental, Social and Governance issues being integrated as part of the investment process.

We are privileged to be served by an excellent and highly talented Staff in Church House – in every department – committed to the delivery of service to the whole church. To them, and to each and every one of my colleagues who serve on the various committees, I am grateful for all they do.

We are though on a treadmill – year in, year out we manage funds, meet overheads and distribute available income. Can we do more to support the development of the church's mission?

We are very focused on preserving our assets and investing for the future – often by-passing the needs of the here and now. We are conditioned to preserve what we have inherited and to pass it on. But, to quote one senior prelate, we end up with "conservation and preservation leading to fear and withdrawal".

This is an obstacle to obeying the Great Commission "go and make disciples of all nations, baptizing them in the name of the Father and of the Son and of the Holy Spirit, and teaching them to obey everything I have commanded you".

Last year, I asked whether we are deploying the assets of the Church to best advantage.

I floated the idea of sharing resources and putting these assets to work if we are intent on improving our ministry and outreach. We realise that the initiative must come from ourselves in the RCB as so many of the obstacles are contained within our Constitution –all of which are focussed on preserving our assets and investing for the future.

Let us invest *in* the future, not just for the future.

We propose to bring a Bill to Synod in 2016 to loosen the restraints imposed by the Constitution on the use or disposal of Church property, be it real estate, church silver, paintings, or other material or financial assets. In its place, we need to pool resources and to build a system to support initiatives in building the Church for the future. This is our vision for a "Long-Term Church".

We want to hear your reaction from the floor to these ideas at this early stage. Less controversial proposals before have failed on the floor of this House.

Only last week, we learnt that the Church of England is thinking along similar lines.

What we may ask is the Spirit saying to the Churches?

Your Grace

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