

Church of Ireland Pensions Board – Report 2007

**THE CHURCH OF IRELAND PENSIONS BOARD
REPORT FOR THE YEAR 2006**

**REPORT TO THE GENERAL SYNOD 2007
AND FINANCIAL STATEMENTS FOR THE YEAR 2006**

***Members/Meetings of the Board
There were (5) meetings of the Board in 2006.***

Elected by the House of Bishops

Most Rev RHA Eames (retired December 2006) (4)
Most Rev JRW Neill (5)

Elected by the General Synod

Ven DS McLean (5)
WT Morrow (4)
Lady Sheil (5)
Rev ECJ Woods (5)
LV Johnston (5)

Elected by The Representative Church Body

Mrs JM Peters (2)
RP Willis (3)
TH Forsyth (4)
DG Perrin (2)
Rev FJ McDowell (5)

Chairperson – Lady Sheil

Vice-Chairperson – TH Forsyth

Honorary Secretary – Ven DS McLean

Honorary Consultant – Canon JLB Deane

Trustee – The Representative Church Body

Actuarial Advisers – Mercer Human Resource Consulting

Investment Managers – Bank of Ireland Asset Management

Assistant Secretary – PM Talbot

Pensions and Welfare Officer – PG Connor

Grants Committee

Lady Sheil Ven DS McLean WT Morrow

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

1. INTRODUCTION

The Church of Ireland Pensions Board administers the Church of Ireland Pensions Fund of which The Representative Church Body is the Trustee. The Board is elected triennially.

The powers and duties of the Board 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.

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 RHA Eames, the former Archbishop of Armagh, retired from the Board on 31 December 2006.

The Board expresses its thanks and appreciation to the Archbishop for his contribution to, and concern for, the Clergy Pensions Fund and wishes him well in his retirement.

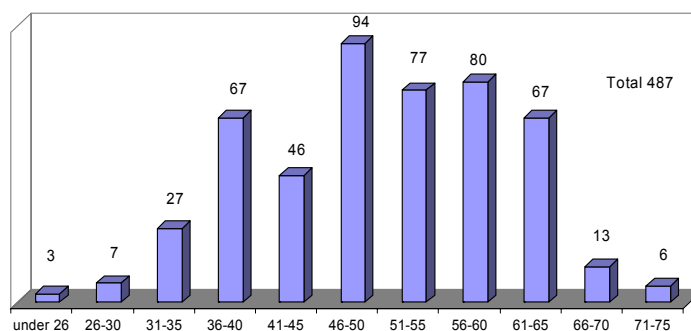
The Board welcomes the Rt Rev WP Colton in place of Archbishop Eames following his appointment by the House of Bishops in January 2007.

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3. MEMBERSHIP OF THE FUND

Contributing Members 1 January 2006		486
Additions:		
Newly ordained clergy		7
Clergy who re-entered service		5
Clergy who entered service from other churches		8
Clergy who entered service from other posts		-
Transfer from Non-Stipendiary Ministry		2
		<hr/> 508
Deductions:		
Clergy retired on pension	16	
Clergy who died in service	1	
Clergy who left service with entitlement to deferred benefits	4	
Clergy who left service and transferred their benefits to another fund	-	(21)
	<hr/>	<hr/> 487
Contributing Members 31 December 2006		<hr/>

Age distribution of Contributing Members



under	26	26-30	31-35	36-40	41-45	46-50	51-55	56-60	61-65	66-70	71-75	Total
Age	3	7	27	67	46	94	77	80	67	13	6	487
Clergy												

There are 7 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 2006	251
Add: Retirements during the year	16
Add: Deferred, became payable during the year	1
Deduct: Ceased on death during the year	(12)
Retired clergy on pension 31 December 2006	<u>256</u>
	—

(b) Surviving Spouses of Clergy

Surviving spouses on pension 1 January 2006	226
Add: Commenced during the year	9
Deduct: Ceased on death during the year	(11)
Surviving spouses on pension 31 December 2006	<u>224</u>
	—

(Note: The total of 224 includes 19 widows of voluntary members - *see section 7)

(c) Children

Child Dependency Allowances 1 January 2006	7
Add: Commenced during the year	-
Deduct: Ceased during the year	(1)
Child Dependency Allowances 31 December 2006	<u>6</u>
	—

5. PENSIONS IN PAYMENT

The annual rate of pensions etc in payment at 1 January 2007 are:

	€		£
Clergy	1,486,000	and	1,813,464
Surviving spouses and orphans	1,293,260	and	966,483
	<u>2,779,260</u>	and	<u>2,779,947</u>
	—		—

6. DEFERRED PENSIONS

There are 91 clergy with entitlement to deferred benefits as at 31 December 2006.

7. INCREASES IN PENSIONS IN PAYMENT

Under the provisions of the Fund, pensions and annuities in payment at the end of each year may be increased on the following 1 January. The amount of any increase will be the percentage required by law, or such greater percentage up to 5%, as the Board on the advice of the actuary and with the approval of The Representative Church Body may determine.

Currently, pensions in payment on 1 January each year are increased by the preceding September's annualised rate of inflation in each jurisdiction (up to a maximum of 5%).

Accordingly, pensions in payment on 31 December 2006 were increased by 3.6% for those payable in sterling and 4% for those payable in euro on 1 January 2007, except those being paid to a widow of a voluntary member (* a voluntary member is a member of the former Widows and Orphans Fund who remained a contributing member of that Fund following the inception of the Clergy Pensions Fund on 1 January 1976).

8. 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 65 years of age, individual members may elect to commute part of their pension;

On reaching 65 years of age individual members may elect to commute part of their pension, whether or not they actually retire;

On retirement after reaching 65 years of age, individual members may elect to commute part of their pension if, on reaching 65 years of age, they had decided to defer a decision until their actual retirement;

On deferred pension entitlement becoming payable.

During 2006 lump sums totalling €144,810 and £372,549 became payable under the above headings in respect of 13 members as follows:

died in service (1); died within 5 years following retirement (2); before age 65 (2); at age 65 (1); on retirement (6); deferred pension (1).

9. EXPLANATORY BOOKLET

The explanatory booklet designed to give a broad outline of the Pensions Fund and the benefits provided is available from the Assistant Secretary. The latest revision was prepared and circulated in December 2004 and a copy is also forwarded to each new member.

10. TRIENNIAL ACTUARIAL VALUATION – REPORT (DRAFT) AND PROPOSAL

Last year, the Board reported that, in pursuance of its objective of seeking to ensure the long-term future of the Fund against a backdrop of the continuing increasing costs of Defined Benefit Pension Schemes, it had requested the actuary to identify key factors giving rise to these increasing costs.

As a result, the Board asked the actuary to make a presentation in January 2006, and to review in detail the key cost drivers of the Clergy Pensions Fund. Following this presentation a sub-group was set up which met on a number of occasions and made an initial report to the Board in November.

The sub-group set as two of its objectives - to seek to ensure the long-term survival of the Defined Benefit Scheme and to seek to maintain the non-integration of the Clergy pension with the single person's contributory State pension. At an early stage of the sub-group's investigations, it became clear that some changes to the existing scheme would be required in order to preserve this quality scheme for present and future Clergy (and their dependants). In consultation with the actuary, a range of options/alternatives were considered including closing the scheme to new entrants (an option which was not pursued) and changing the pension accrual rate to a rate less than 1/60th for each year of service (this option was also not pursued). The sub-group was also concerned that the scheme remains underfunded and financially exposed to future requests from the actuary for significant additional contributions should the expected investment returns not materialise. After considerable discussion the sub-group recommended that the least painful changes could involve a small additional increase in the annual contribution rate coupled with a possible change in the Normal Retirement Age (NRA) from 65 to 67 on a phased basis from an agreed date. Much more work will have to be undertaken by the Board in anticipation of bringing such a proposal to the General Synod in 2008, in relation to contributions and a phased change in NRA, which will not become operative before 1 January 2009 and is designed to secure the future of the Fund.

In November, the actuary informed the Board that, while confirming that he is satisfied that the minimum funding proposal agreed with the Irish Pensions Board remains on-track in order to restore the solvency level to 100% by 30 September 2011, the outcome of the Triennial Actuarial Valuation of the Fund as at 30 September 2006 has resulted in the necessity for an increased contribution rate of 1.7% for the long-term funding of the scheme. This is due primarily to changes in actuarial assumptions since the previous Actuarial Valuation date in 2003 – these changes are mainly a result of the continuing low interest rate environment and improving life expectancy which has necessitated a change in the actuary's assumptions underlying the valuation.

In the light of the valuation report and subsequent to the year end, the Board, in conjunction with the Representative Church Body (the Trustee) has decided that the existing annual contribution rate of 28.9% should be increased, with effect from 1

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January 2008, by the 1.7% (to 30.6% of Minimum Approved Stipend) as recommended by the actuary. It is proposed that the 1.7% increase will be shared among the current contributors in the same proportion as the existing contribution breakdown that is the Members +0.3%, the Dioceses/Parishes +0.9% and RCB Central Funds +0.5%. A Bill to substitute the appropriate amended percentages as set out in Sections 34 and 35 of Chapter XIV of the Constitution is being brought for consideration before General Synod 2007 in the joint names of the Representative Church Body and the Board.

The new total contribution rate of 30.6% of Minimum Approved Stipend will then be made up of 5.6% for Members, 16.8% for the Dioceses/Parishes and 8.2% for Central Funds (Central Funds do not contribute to the overall rate for those members of the Fund where the office has to be specifically recognised by the Representative Body for pension purposes).

In further correspondence with the Board, the actuary has proposed and the Board has agreed in principle, that amendments to the early and late retirement factors (Sections 43 and 45 of Chapter XIV) will be tabled in 2008.

The draft Report of the Actuary dated March 2007 is included as Appendix A to this report. The final Report is dependent on decisions made at the General Synod 2007.

Contribution from central funds for 2007

Based on the current contribution rate, the transfer from central funds (€506,411 and £457,522 - equivalent to €1,187,800 in 2007) is included in the recommendations to the General Synod for allocation from the Income and Expenditure Account of the Representative Church Body (see page 17).

11. ACTUARIAL CERTIFICATE

The Actuarial Certificate, dated March 2007, is included as Appendix B.

12. ADDITIONAL PERSONAL CONTRIBUTIONS (APCs)

Members who will not have completed 40 years of service on reaching 65 years of age 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 104 members have made, or are making, contributions to the APC Scheme.

In light of the assumptions now adopted by the actuary in the Triennial Actuarial Valuation, there will be consequential marginal changes in the APC rates.

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Copies of the Regulations and explanatory memorandum in relation to APCs may be obtained on request to the Assistant Secretary.

13. CHILD DEPENDENCY ALLOWANCE

Sections 58 (1) and (2), 59, 61 (1) and (2) and 81 (1) of Chapter XIV caters for the payment of child dependency allowances, to surviving spouses of members of the Fund, for children up to the age of 18 years or marries, whichever is the earlier. The Board recognises and recommends that the dependency allowance should be extended to include each 'child' up to age 23 if engaged in third level education (but subject to being unmarried).

The change has minimal cost to the Fund.

Details of the changes are set out in the Explanatory Memorandum to the Bill being submitted to the Synod.

14. 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, investment income and benefits in relation to the Northern Ireland subdivision for 2006 and 2005 as shown in the Financial Statements. It is hoped that this schedule will be helpful in studying the accounts.

	2006 £'000	2005 £'000
Contributions		
- Members - normal	293	280
- additional personal	59	53
- Dioceses	941	895
Representative Church Body	410	407
Investments and Short Term Income	1,154	1,180
Pensions to Retired Clergy and Bishops	1,725	1,686
Pensions to surviving spouses and orphans	935	896
Commutation of pensions	236	245
Death benefits	-	35

15. 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’.