THE SUPPLEMENTAL FUND

1. ADMINISTRATION OF THE FUND FOR THE YEAR ENDED 31 DECEMBER 2006

The Supplemental Fund is held by the Representative Body for the provision of assistance to retired clergy of the Church of Ireland, and to surviving spouses, orphans and other dependants of clergy of the Church of Ireland and is administered by the Church of Ireland Pensions Board.

The income is derived from the investments representing the capital of the various Funds comprising the Supplemental Fund and grants allocated to it by the General Synod.

Last year the following assistance was provided by means of *ex gratia* payments:

(1) Minimum Income of Surviving Spouses and Orphans

Grants to ensure each has a minimum income from all sources in the year commencing 1 January 2006 of not less than:

	Resident in the: United Kingdom	Republic of Ireland
Surviving spouse under 80	£10,552	€14,705
Surviving spouse 80 or over	£10,953	€15,264

On 31 December 2006 pensions were in course of payment to 205 surviving spouses (excluding widows of voluntary members) of clergy of the Church of Ireland. 8 surviving spouses required a grant to bring their total income up to the relevant figure in the Table.

During 2006 each surviving spouse who was in receipt of a grant from the Supplemental Fund also received:

(a) a grant towards basic housing costs of £300 or €400 from the Housing Fund;

(b) a grant of £375 or €510 from monies allocated from the Priorities Fund.

As a result of these grants, the actual minimum income of surviving spouses during 2006 exceeded the figures in the Table by £675 or €910.

(2) Minimum Income for Retired Clergy

Grants shall be payable from the Supplemental Fund to retired clergy to ensure that each has a minimum income, including the Retirement Pension payable from the Church of Ireland Clergy Pensions Fund or any other approved Scheme, of not less than £7,858 (if resident in the U.K.) or €10,950 (if resident in the Republic of Ireland). Such minimum pension shall be in addition to a State or other pension (excluding a Retirement Pension payable under the Church of

Ireland Pensions Fund or any other approved Scheme) or a Sickness or Invalidity Benefit or a Supplemental Grant in lieu thereof.

In calculating grants the first £1,000 (if resident in the UK) or €1,414 (if resident in the Republic of Ireland) of income earned by the clergy and/or their spouse is disregarded.

One was payable on 31 December 2006.

(3) Supplement in lieu of State Pension

Grants shall be payable to retired clergy who are not eligible for a State or other pension (excluding a Retirement Pension payable under the Church of Ireland Pensions Fund) or a Sickness or Invalidity Benefit in lieu thereof as follows:

(a) Clergy who retired from an office in the Republic of Ireland:

Eligible clergy aged under 80	€10,052
Eligible clergy aged 80 or over	€10,572
Married clergy only: Spouse under 66	€6,698 extra
Married clergy only: Spouse 66 or over	€7,764 extra
Single/widowed clergy only: Living alone	€400 extra

(b) Clergy who retired from an office in Northern Ireland:

Eligible clergy: Single/widowed	£4,267
Eligible clergy: Married	£6,822

The number of grants in payment on 31 December 2006 was 9.

(4) Widow of Bishop

A grant in accordance with the following table to the widow of a bishop who retired before 1 January 1979:

Widow of bishop	€5,712

One grant was payable on 31 December 2006.

(5) Removal Grants

A grant to a surviving spouse towards the cost of removal, if his/her wife or husband was in the service of the Church of Ireland at the time of death, of the total amount involved up to a sum of £1,170 if he or she died while holding office in Northern Ireland, or €1,654 if he or she died while holding office in the Republic of Ireland.

Should death occur less than two months after date of retirement and before vacation of the glebehouse a similar grant will be paid.

(6) Immediate Grants to Surviving Spouses

On the death of clergy in the service of the Church of Ireland who are survived by a spouse, an immediate grant of £3,350 if they died while holding office in Northern Ireland or €5,000 if they died while holding office in the Republic of Ireland shall be paid.

On the death of clergy in retirement from the service of the Church of Ireland who are survived by a spouse, an immediate grant of £1,054 if they resided in the United Kingdom or €1,488 if they resided in the Republic of Ireland shall be paid.

(7) Other Grants

Certain other grants which, in the opinion of the Board and in the particular circumstances of each case, merited special consideration.

In addition to the grants allocated under the above headings retired clergy, surviving spouses and dependants in need received help from other sources. The Board would like to record its thanks to the Priorities Fund, the Corporation of the Sons of the Clergy, the Friends of the Clergy Corporation and the other charities and funds which provided this help.

2. GRANTS 2007

The Representative Body recommends that the General Synod of 2007 approves allocations of €97,352 plus £7,485 to the Supplemental Fund from 2006 income (see page 17 of the report of the Representative Body).

The allocations recommended will enable the Board to continue the schemes of *ex gratia* payments to surviving spouses and retired clergy and it has decided that from 1 January 2007 these shall be as follows:

(1) Minimum Income of Surviving Spouses and Orphans

	Resident in the: United Kingdom	Republic of Ireland
Surviving spouse under 80	£10,975	€15,440
Surviving spouse 80 or over	£11,392	€16,027

It is estimated that the cost of this scheme will be €16,833 plus £4,000. The cost of the sterling scheme will be partially met by the dividend income generated from the investments held for the Supplemental Fund (Surviving Spouses) UK.

(2) Minimum Income for Retired Clergy

Grants shall be payable from the Supplemental Fund to retired clergy to ensure that each has a minimum income, including the Retirement Pension payable from the Church of Ireland Clergy Pensions Fund or any other approved Scheme, of not less than £8,173 (if resident in the U.K.) or €11,498 (if resident in the Republic of Ireland). Such minimum pension shall be in addition to a State or other pension (excluding a Retirement Pension payable under the Church of Ireland Pensions Fund or any other approved Scheme) or a Sickness or Invalidity Benefit or a Supplemental Grant in lieu thereof.

In calculating grants the first £1,000 (if resident in the UK) or €1,492 (if resident in the Republic of Ireland) of income earned by the clergy and/or their spouse is disregarded.

It is estimated that the cost of this scheme will be £946.

(3) Supplement in lieu of State Pension

(a) Clergy who retired from an office in the Republic of Ireland:

Eligible clergy aged under 80	€10,884
Eligible clergy aged 80 or over	€11,404
Married clergy only: Spouse under 66	€7,254 extra
Married clergy only: Spouse 66 or over	€8,996 extra
Single/widowed clergy only: Living alone	€400 extra

(b) Clergy who retired from an office in Northern Ireland:

Eligible clergy: Single/widowed	£4,381
Eligible clergy: Married	£7,007

It is estimated that the cost of this scheme will be €67,780 plus £2,539.

(4) Widow of Bishop

A grant in accordance with the following table to the widow of a bishop who retired before 1 January 1979:

Widow of bishop	€5,906

The cost of this scheme will be €5,906.

(5) Removal Grants

Northern Ireland	£1,212

Republic of Ireland	€1,720

(6) Immediate Grants to Surviving Spouses

In service:

Northern Ireland	£3,471
Republic of Ireland	€5,200

In retirement:

Northern Ireland	£1,092
Republic of Ireland	€1,548

3. RULES

Copies of the rules are available on application to the Assistant Secretary.

4. FINANCIAL STATEMENTS

The Financial Statements of the Supplemental Fund are set out in the following pages.

THE SUPPLEMENTAL FUND

31 December 2006

FUND STATEMENT

	2006 €'000	2005 €'000
INCOME		
General Synod Allocations	127	187
Investment Income	37	34
Income from Trusts and Donations	2	-
	166	221
EXPENDITURE		
Augmentation – Surviving Spouses and Orphans	25	19
Grants to Surviving Spouses	27	27
Grants to Retired Clergy	92	127
Grant to Widow of Bishop	6	6
Expenses	5	5
	155	184
Surplus of income	11	37
Revaluation movement	165	148
Currency translation adjustment	12	17
	177	165
Net increase in fund for year	177	165
Capital balance 1 January	994	829
Capital balance 31 December	1,171	994

THE SUPPLEMENTAL FUND

ANALYSIS OF FUND ASSETS AT 31 DECEMBER 2006

	2006 €'000	2005 €'000
Investments at Valuation		
RB General Unit Trusts	1,171	994
	1,171	994

Notes

1. The Supplemental Fund is vested in The Representative Church Body, as Trustee, for the provision of assistance to retired clergy of the Church of Ireland, and to spouses, orphans and dependants of clergy of the Church of Ireland.

   The Fund is established under Chapter XV of the Constitution of the Church of Ireland and administered by the Church of Ireland Pensions Board.

2. Accounting Policies are the same as those adopted for the Clergy Pensions Fund.

ACCOUNTANTS' REPORT

The Representative Church Body is responsible for preparing the Fund Statement and the Statement of Assets for the year ended 31 December 2006. We have examined the above and have compared them with the books and records of the Fund. We have not performed an Audit and accordingly do not express an audit opinion on the above statements. In our opinion the above statements are in accordance with the books and records of the Fund.

PricewaterhouseCoopers
Chartered Accountants
Dublin

March 2007

THE CHURCH OF IRELAND
VOLUNTARY CONTRIBUTIONS SCHEME

1. MEMBERSHIP AS AT 31 DECEMBER 2006

	Membership 31/12/05	New Contributors	Withdrawals	Fund Transfers	Retired	Membership 31/12/06
RI	30	2	-	-	1	31
NI	13	-	-	-	3	10
Total	43	2	-	-	4	41
Previous Year	45	-	-	-	2	43

Three members increased their contributions. The average annual contribution at the end of 2006 was (RI) €2,657 and (NI) £890. Contributions continue to be invested with the Standard Life Assurance Company in the "Managed Pension Fund", the "With Profits Pension Fund" or the "Cash Pension Fund", as appropriate, of the Tower Pension Series for those contributors who reside in the Republic of Ireland or the Castle Pension Series for those contributors who reside in Northern Ireland.

2. FUND STATEMENT

	2006 €'000	2005 €'000
Contributions received	94	62
Less paid on retirement or death	(38)	(42)
Less commuted to pension	-	-
	56	20
Balance 1 January	487	463
Currency Translation Adjustment	3	4
Balance 31 December	546	487

Notes

1. The Representative Church Body is Trustee of the Scheme which is administered by the Church of Ireland Pensions Board under the authority of a resolution adopted by the General Synod on 21 May 1985.
2. Under the Scheme members are permitted to make voluntary contributions which are invested with the Standard Life Assurance Company to provide additional benefits within the overall limits allowed by the Revenue authorities.

The balance at the year end represents the net accumulation of members' contributions which have been transferred to the Standard Life Assurance Company by the Trustee. The value of the investments underlying these contributions is not reflected in the statement.

3. Sterling balances and transactions have been translated to Euro at the rate of exchange ruling at 31 December 2006 €1 = £0.6715 (2005 €1 = £0.6853)

ACCOUNTANTS' REPORT

The Representative Church Body is responsible for preparing the Fund Statement for the year ended 31 December 2006. We have examined the above and have compared it with the books and records of the Fund. We have not performed an Audit and accordingly do not express an audit opinion on the above statement. In our opinion the above statement is in accordance with the books and records of the Fund.

PricewaterhouseCoopers
Chartered Accountants
Dublin

March 2007

OTHER FUNDS ADMINISTERED BY THE BOARD

1. SUNDRY DIOCESAN WIDOWS' AND ORPHANS' FUNDS

Grants are paid on the recommendation of the patron, who is usually the Bishop. The total of grants paid in 2006 was €66,105 and £4,558.

2. HOUSING ASSISTANCE FUND

The Housing Fund has been created by The Representative Church Body mainly from the income of certain endowments and bequests received by it from generous benefactors and where the terms of trust permit.

The Fund is being administered under a Scheme prepared by the Board and approved by The Representative Church Body. Grants amounting to €70,705 plus £65,651 were allocated in 2006 as in previous years. Many expressions of thanks and appreciation have been received from the recipients.

The Board is most grateful for these donations and hopes that this Fund, which has already been of considerable help to retired clergy and surviving spouses with financial outlay arising from the provision and/or upkeep of housing accommodation, will be given further support by donations or bequests.

Two houses were bequeathed to The Representative Church Body, one of which is let to a member of the clergy and the other let to the surviving spouse of a clergyman. These are administered by the Board.

3. PRIORITIES FUND – ADDITIONAL INCOME FOR THE MOST ELDERLY AND NEEDY

A further grant was allocated by the Standing Committee from the Priorities Fund in 2006 to provide additional income for the most elderly and needy retired clergy and surviving spouses of clergy. This enabled the Board to give an additional grant of €510 or £375 as appropriate, to each retired member of the clergy who had reached 65 years of age and to each surviving spouse irrespective of age who also needed a grant from the Supplemental Fund to ensure a minimum income under the schemes in operation for that purpose. A total of 8 surviving spouses and 2 clergy benefited from the allocation and expressions of appreciation have been received.

The Board has applied to the Priorities Fund Committee for a grant for 2007.

4. MRS E TAYLOR ENDOWMENT

The Representative Body requested the Board to administer the Endowment "to provide additional benefits over and above the normal pensions for retired clergymen of the Church of Ireland who should be residing in the 26 counties of Southern Ireland".

The Board has decided that the income from the Endowment should be allocated in the first instance for the benefit of those retired clergy in the Republic of Ireland who required nursing/home care either for themselves or their spouses including health and paramedical expenses.

During 2006 grants totalling €30,400 were paid to 23 retired clergy.

5. REV PRECENTOR RH ROBINSON BEQUEST

The income of this bequest is allocated annually by the Board in accordance with the terms of trust as an additional payment to a retired clergyman.

6. REV GJ WILSON BEQUEST

The income of this bequest is available for the benefit of retired clergymen of the dioceses of Dublin, Glendalough and Kildare. The Board allocates the income having sought recommendations from the Archbishop of Dublin and the Bishop of Meath and Kildare.

In 2006, the total of grants paid was €2,680.

7. DISCRETIONARY FUND – RETIRED CLERGY/SURVIVING SPOUSES

This Fund is available to provide (i) discretionary grants unrelated to Housing, to surviving spouses of clergy to be administered in a similar fashion to that of the Housing Fund and (ii) greater support for retired clergy resident in Northern Ireland or outside Ireland.

Allocations of £21,500 were made in 2006 which together with income from bequests allocated to the Fund by the Representative Body enabled the Board to make grants totalling €8,750 and £8,010 to 25 surviving spouses and grants totalling £16,220 to 12 retired clergy.

The Board would welcome donations and bequests in order to provide a permanent income for this Fund.

APPENDIX A

March 2007

The Church of Ireland Clergy Pensions Fund

Actuarial Valuation Report.

As at 30th September 2006

DRAFT

MERCER
Human Resource Consulting

Contents **Page**

1. Introduction ... 132

2. Summary of Results ... 134

3. Data ... 136

4. Valuation Objectives and Method ... 140

5. Assumptions ... 143

6. Results and Recommendations ... 149

7. Reconciliation with Previous Valuation ... 151

8. Investment Strategy ... 153

Appendices

A. Benefit Summary

B. Glossary

1

INTRODUCTION

This is a report to the trustee of the Church of Ireland Clergy Pensions Fund on the actuarial valuation of the Fund as at 30th September 2006. The last actuarial valuation of the Fund had an effective date of 30th September 2003.

The purpose of this report is to:

- meet the requirement of section 56 of the Pensions Act, 1990, which requires the trustee to obtain an actuarial valuation periodically;
- assess the funding level (assets divided by accrued liabilities at the valuation date), assuming the Fund continues to operate and that accrued liabilities for active members increase in line with future stipend increases;
- review the adequacy of the contribution rate under Chapter XIV of the Constitution and to recommend a future contribution rate, taking account of the funding level of the Fund at the valuation date;
- assess whether the Fund meets the funding standard in accordance with section 44 of the Pensions Act, 1990, which in general terms measures whether the assets cover liabilities accrued to members assuming the Fund were wound up at the valuation date.

The trustee should note that this report must be disclosed to members on request, in accordance with the disclosure regulations of the Pensions Act, 1990. The report may be disclosed to other parties with the consent of the trustee or under disclosure legislation and regulations. Such parties may rely upon the results only for the purpose described above or any other purpose agreed with the scheme actuary at the time of disclosure.

The calculations in the report use methods and assumptions appropriate for the purposes described above. They may not be appropriate for other purposes, including pension scheme accounting, corporate mergers, acquisitions and other transfers of business assets.

This report complies with actuarial guidance issued by the Society of Actuaries in Ireland as at the date of signature (ASP9 (ROI): Funding Defined Benefits – Actuarial Reports).

Scheme Actuary Name	James R. Kehoe

Scheme Actuary Certificate Number	P038

Qualification	**Fellow of the Society of Actuaries in Ireland**

Signature	

Date of Signing	

2

SUMMARY OF RESULTS

Recommended contribution rate:

The recommended contribution rate is 30.6% of Minimum Approved Stipend (MAS). This represents an increase of 1.7% in the current contribution rate payable by the individual member, diocese and Representative Body. This rate is payable from 1 January 2008.

Balance Sheet position at 30th September 2006:

Balance Sheet (€000's)	**Ongoing Accrued**	**Funding Standard**
Total Assets	**127,768**	127,768
Liabilities:		
Wind up Expenses	N/A	500
Active Members	52,665	42,332
Deferred Members	4,528	3,115
Pensioners	87,270	95,218
Total Liabilities	**144,463**	**141,165**
Funding Level %	**88.4%**	**90.5%**
Surplus/ (Deficit)	**(16,695)**	**(13,397)**
Cover for actives and deferreds	**N/A**	**70.5%**

Highlights:

The Balance Sheet has marginally weakened from a deficit of €15,926,000 at 30th September 2003 compared with the deficit at the current valuation of €16,695,000. The main influences on the change in the deficit position are:

- Changes to the assumptions used to value the liabilities in the current valuation. A higher value has been placed on the liabilities to reflect the continuing low interest rate environment and improving life expectancy
- Investment returns over the valuation period have been greater than assumed in the last valuation.

These factors have largely offset each other and resulted in the marginal increase in the deficit.

The fund does not meet the minimum funding standard. A Funding Proposal is in place since the last valuation date to restore the solvency level to 100% by 30th September 2011. I am satisfied that this Funding Proposal remains on-track to meet its objectives.

3
DATA

3.1 The valuation is based on data relating to:

- the membership of the Fund at the valuation date
- the benefits provided by the Fund and
- the amount of assets held by the Fund on the valuation date.

MEMBERSHIP

3.2 Data in relation to members in service, former members with deferred pensions and current pensioners was obtained from records maintained by the Church of Ireland Pensions Board. I have relied on the accuracy of the information provided by the Board and placed such reasonableness checks as are practicable on this data. These checks do not guarantee the accuracy of the data.

3.3 The following is a summary of the membership data at the valuation date. The Fund is open to new entrants.

Members in Service	**Current Valuation**	**Previous Valuation**
Number of members	488	488
Total MAS (€000's)	15,844	14,021
Average age	48.1	49.8
Average past pensionable service	15.0	17.5

Former Members	**Current Valuation**	**Previous Valuation**
Number	81	77
Total deferred pensions (€000's pa) (allows for revaluation to valuation date)	358	235
Average age	49.7	46.9

Pensioners	Current Valuation	Previous Valuation
Number	479	505
Total pensions payable (€000's pa)	6,593	5,950
Average Age	78.2	78.8

▪

3.4 Members who are over Normal Retirement Age at the valuation date have been included as active members in the valuation statistics.

3.5 A reconciliation with membership figures at the previous valuation is provided overleaf:

	Active members	Deferred members	Pensioners
Number at previous valuation	**488**	**77**	**505**
Data Adjustment	1		2
New entrants	51		
Members moving from deferreds to Actives	8	(8)	
Members taking deferred benefit	(19)	19	
Members taking refunds of Contributions			
Members taking transfer values		(4)	
Retirements	(36)	(2)	38
Deaths/children's pension ceasing	(5)	(1)	(100)
Dependant's pension commencing			34
Number at current valuation	**488**	**81**	**479**

BENEFITS

3.6 The Fund commenced on 1st January 1976 and is an Exempt Approved Scheme under Part 30, Chapter 1 of the Taxes Consolidation Act 1997. The benefits provided by the Fund are set out under the provisions of Chapter XIV of the Constitution of the Church of Ireland. The benefits are unchanged from the last valuation.

3.7 Although only guaranteed to the extent required by law, the valuation assumes that the trustee will continue their current policy of increasing all pensions in payment on a discretionary basis in line with price inflation capped at 5% per annum.

3.8 A summary of Fund benefits on which the valuation is based is included in Appendix A.

ASSETS

3.9 I have extracted information on the value of the Fund's assets from the investment reports prepared by the investment managers. No allowance has been made for any current assets or liabilities.

3.10 Following the last valuation it was agreed a contribution rate of 28.9% of the Minimum Approved Stipend would be paid to the Fund. The Fund administrator has confirmed that this rate has been adopted since 1st January 2005.

3.11 The Fund's assets are invested in equities and bonds using external investment managers, who invest either directly in stocks or via pooled funds investing in such stocks. The following tables summarise in more detail the way the assets of the Fund were invested at the valuation date.

	€'000's	**%**
Bonds	13,066	10.2
Irish Equities	14,127	11.1
UK Equities	32,740	25.6
Other Eurozone Equities	31,608	24.8
Non Eurozone Equities	24,513	19.2
Property	7,064	5.5
Cash and Other	4,650	3.6
Total	**127,768**	**100%**

3.12 It is the general practice of the trustee to accept transfer values into the Fund from other approved schemes at the request of individual members. The benefit provided to members who take transfer values into the Fund is credit for additional years of pensionable service. The additional liability has been taken into account in valuing the member's entitlement and the assets have been included in the valuation.

4

VALUATION OBJECTIVES AND METHOD

VALUATION OBJECTIVES

4.1 The Rules of the Fund specify the contribution rates to be paid and these are set out in Chapter XIV of the Constitution. The main purpose of the valuation is to review these contribution rates to determine their suitability to provide the benefits promised and also to take account of the funding standard set out in the Pensions Act, 1990.

4.2 The valuation report should be considered in the context of the following:

- there are many different ways to pay for the pensions promised to members;
- the assumptions and method used in the valuation result in a recommendation as to the pace of contributions to pay for pensions;
- the true cost of providing pensions promised to members depends on the Fund's experience and will emerge only in time;
- higher contributions now will lead to lower contributions later and vice versa,
- higher contributions now will provide members with greater benefit security, but may lead to excessive resources in the Fund.

4.3 It is appropriate to define a valuation objective in order to monitor the contribution requirement. For the Church of Ireland Clergy Pensions Fund this objective is to determine whether the current assets together with the future contributions payable under the Rules are sufficient to provide the future benefits payable to members.

A second objective is to determine whether the current assets are sufficient to provide for the accrued benefits calculated in accordance with the funding standard set out in the Pensions Act, 1990.

There have been no changes to the valuation objectives since the last valuation.

4.4 This valuation objective is designed to represent a balance between giving members a reasonable level of security in respect of accrued pension rights, and ensuring that the contributions to the Fund are realistic without being excessive, subject to statutory constraints.

Ongoing Valuation Method

4.5 The value of liabilities (ongoing basis) is determined by firstly projecting the benefits payable in the future from the Fund. The projected benefit cash flows allow for;

- The anticipated incidence of benefits determined in accordance with the demographic assumptions.
- Projected MAS in respect of active members.
- Future revaluation of the preserved benefits payable to and in respect of deferred beneficiaries
- Increases on pensions in payment in accordance with the current policy.

These benefits are valued by discounting the future anticipated cash flows at a discount rate equivalent to the expected future return on the investments, taking account of the current and anticipated future investment policy.

4.6 In determining the appropriateness of the contributions for the purposes of the ongoing valuation, I have continued to use the same actuarial method, namely, the Attained Age method, at this valuation.

Attained Age Method

4.7 The recommended contribution rate under the attained age method consists of two parts:

- The **normal contribution** required to meet the cost of benefits accruing for service after the valuation date. This is calculated as the present value of benefits expected to accrue to the membership in respect of all service after the valuation date divided by the present value of members' expected future MAS, plus

- The **contribution adjustment** required to remove over the remaining working lifetime of the currently active membership any imbalance between the assets of the Fund and the funding target.

4.8 For a given set of actuarial assumptions, the normal contribution rate has the following characteristics:

- The normal contribution rate is expected to remain stable if the average age of the Fund's active membership remains stable.

- An ageing of the active membership will lead to an increase in the normal contribution rate (as a percentage of MAS). If the valuation assumptions are borne out in practice, however, a surplus should emerge over time which, when amortised over the average expected future service of active members, should maintain the total required contribution rate at a broadly stable level.

4.9 The true cost of the Fund will be determined by actual experience as it unfolds, rather than by the valuation assumptions. To the extent that actual and projected experience differs, the impact will emerge in future valuations in the form of the contribution adjustment. As the Fund matures the contribution adjustment to reflect these differences can be expected to show increasing volatility (as a percentage of projected future MAS).

MINIMUM FUNDING STANDARD

4.10 A scheme can meet the Minimum Funding Standard when the assets, taken at realisable value, are greater than the value of the contractual benefits that would become payable if the scheme were determined (i.e. wound up) on the effective date together with the expenses of winding up the scheme.

4.11 The assets, net of any self investment or concentration of investment beyond prescribed limits, are taken into account for the purposes of the funding standard at the estimated realisable value.

4.12 The benefits payable to and in respect of the various beneficiaries are as follows;

- the contractual pensions and contingent pensions payable to and in respect of retired members. Contractual benefits do not include an allowance for discretionary pension increases.
- the contractual deferred benefits payable to and in respect of former members including any benefits secured by the payment of AVCs to which these members became entitled on leaving service. The minimum funding standard liability includes revaluation in the period to retirement on the pre 1991 element of these benefits where the Fund's resources are adequate to provide for it. However it would not include any allowance for discretionary pension increases post retirement.
- The benefits payable to and in respect of active members on wind up are determined as the deferred benefits (including any benefits secured by AVCs) that would be payable to these members if they left service on the effective date of the wind up, again including revaluation in the period to retirement on the pre 1991 element of these benefits where the Fund's resources are adequate to provide for it.
- The value of liabilities also includes an allowance for the estimated expenses of administering a wind up.

4.13 Where a scheme fails to meet the Minimum Funding Standard, the Trustees are required to develop a Funding Proposal in conjunction with the Plan Sponsor and the Scheme Actuary to resolve the shortfall over a period of 3 years. However, where the Trustees are unable to submit a Funding Proposal to address the shortfall over this period and the emergence of the shortfall can be certified to relate primarily to the performance of investments, the trustees may apply to the Pensions Board for an extension to the period over which the scheme is funded. A maximum period of 10 years will generally be contemplated by the Board.

SELECTION OF ASSUMPTIONS

4.14 A market based approach has been used in setting the assumptions for the purposes of the ongoing valuation. This involves using the long-term yield available in the market at the valuation date as a best estimate of future market rates. The market value of assets is compared to liabilities valued using the market approach in order to determine the past service funding level. Assets and liabilities are thus measured in a consistent manner. Future service costs are valued using the economic assumptions derived from market conditions at the valuation date under the market approach.

4.15 The assumptions on which the Minimum Funding Standard liability is determined are prescribed in actuarial guidance.

5
ASSUMPTIONS

5.1 The valuation results depend on the assumptions used. There are two broad categories of assumptions -

- **financial assumptions** - such as the investment return that will be earned in the future and the rates at which earnings and pensions will increase; and
- **demographic assumptions** - such as rates of mortality, retirement, and withdrawal from the Fund.

FINANCIAL ASSUMPTIONS – ONGOING VALUATION

5.2 The financial assumptions have been derived from the long-term yield on government bonds in the market at the valuation date. The table below compares the key market yields on the valuation date with the corresponding yields at the last valuation:

	Current Valuation	**Previous Valuation**
Annualised yield on long-dated bonds	3.94%	4.81%
Annualised yield on long-dated Eurozone index-linked gilts	1.68%	2.54%
Long term expectation for annual Eurozone price inflation	2.2%	2.2%

5.3 In setting any actuarial basis, it is important to appreciate that the differences between the financial assumptions (i.e. the real return above price and salary inflation) can be more significant to the valuation result than the absolute rate of investment return or salary growth.

INVESTMENT RETURN

5.4 In considering the current investment return assumption I have taken the following into account:

- The return available on long dated government bonds at the valuation date
- The expected out-performance of other asset classes over bonds in the long term, such as equities and property, held by the Fund. It is a matter of judgement what the expected out-performance relative to bonds should be. In our opinion, a reasonably prudent allowance could be that, in the

long term, the out-performance of equities would average up to 2% per annum.

- The current distribution of the assets of the Fund are 80% in equities, 10% in bonds, 6% in property and 4% in other assets. A pension scheme will typically move gradually towards a higher weighting in bond investments as it matures, as a larger proportion of the liabilities will relate to pensioners. To allow for this, I have used a lower investment return assumption post-retirement than pre-retirement.

5.5 Having regard to the above returns and after allowing for investment manager expenses, the assumption made in the valuation for investment growth on assets in the period up to retirement is 6% per annum. This is broadly based on current bond yields plus an allowance of approximately 2% for out-performance of the fund generally relative to bonds.

5.6 The assumption made in the valuation for investment growth on assets in the period after retirement is 5% per annum. This is derived from the current bond yield plus an allowance for out-performance relative to bonds of 1% per annum.

PENSION INCREASES

5.7 Pensions are increased annually in line with any minimum legislative requirements and further increases are currently provided on a discretionary basis in line with annual increases in inflation, capped at 5% in any one year. I have allowed for this discretionary practice to continue in the future by including projected pension increases at a rate of 2.5% per annum.

SALARY INCREASES

5.8 I have assumed that increases in the Minimum Approved Stipend will be 1% per annum above the assumed increase in price inflation of 2.5% per annum, i.e. a total increase of 3.5% per annum.

SUMMARY OF FINANCIAL ASSUMPTIONS

5.9 In summary, the current financial assumptions adopted for this valuation compared to those adopted for the previous valuation are as follows:

	Current Valuation	**Previous Valuation**
Investment return – pre-retirement	6.0% pa	6.0% pa
Stipend increases	3.5% pa	3.5% pa
Investment return – post-retirement	5.0% pa	6.0% pa
Pension increases	2.5% pa	2.5% pa
Price inflation	2.5% pa	2.5% pa

5.10 The key assumptions to which the contribution rate is particularly sensitive are:

- The rate of 2.5% pa by which investment growth before retirement will exceed increases in MAS.
- The rate of 2.5% pa by which investment growth after retirement will exceed assumed pension increases.

DEMOGRAPHIC ASSUMPTIONS – ONGOING VALUATION

5.11 As well as the financial assumptions, it is necessary to make a number of assumptions regarding membership movements such as retirements, deaths and other matters. The most important demographic assumptions are discussed below.

MORTALITY

5.12 There has been a trend for people to live longer and this is expected to continue. For this valuation I have adopted lighter mortality assumptions than used for the previous valuation. I will continue to monitor this assumption in light of general trends in mortality experience. The number of members in the Fund is too small to analyse and produce any meaningful scheme specific estimates of future levels of mortality. Accordingly standard tables have been used as set out below.

	Mortality Table	**Implied life expectancy for a 65 year old**
Pre-retirement	PMA 92 (C=2025) for males PFA 92 (C=2025) for females	N/A
Post-retirement – future pensioners	PMA 92 (C=2025) for males PFA 92 (C=2025) for females	20.3 23.2
Post-retirement – current pensioners	PMA 92 (C=2010) for males PFA 92 (C=2010) for females	19.0 22.0

WITHDRAWALS

5.13 This assumption relates to those members who leave the Fund with an entitlement to a deferred pension. I have made no allowance for members leaving the Fund. In practice, leavers result in a slight reduction to the ongoing liability of the Fund, if withdrawal rates are heavier than expected.

NEW ENTRANTS

5.14 I have made no specific allowance for new entrants.

COMMUTATION

5.15 Members have been assumed to commute 25% of pension for a cash sum at retirement, as permitted under the rules of the Fund, subject to the maximum allowed by the applicable Revenue authorities. The terms available under the Fund for exchanging pension for lump sum are such that the Fund's liabilities reduce if lump sum and reduced pension is taken by the member instead of unreduced pension. If the assumption is not borne out, due to for example members using AVCs to provide lump sum at retirement, this would place a strain on the Fund. The current commutation factors for males and females at retirement is 9:1.

PROPORTION MARRIED AND AGE DIFFERENCE

5.16 The Fund provides pensions to widows/widowers and also has the facility for pensions to be paid to dependants where there is no widow/widower. I have assumed that at the point of retirement, 90% of males and females will be married or will have a dependant to whom a pension would be payable. I have also assumed that wives are three years younger, on average, than their husbands.

OTHER ITEMS

EXPENSES

5.17 Provision has been made for future investment management expenses within the financial assumptions set out earlier (i.e. the assumed investment return of 6.0% per annum is expected to be achieved after allowing for such expenses). No allowance is made for the operational costs, which are met separately by the Representative Body.

DEATH IN SERVICE PREMIUMS

5.18 The Church of Ireland Pensions Board self-insures the lump sum death benefit and spouses' death in service. The recommended contribution rate includes an allowance to cover the cost of providing death in service benefits.

Exchange Rate

5.19 The figures used for the Northern Ireland sub-division have been converted using an exchange rate of €1 = Stg£ 0.67.

FUNDING STANDARD ASSUMPTIONS

5.20 The value placed on the liabilities of active and deferred members for the purpose of calculating whether the Fund meets the funding standard is determined on a prescribed basis assuming the Fund discontinues and is wound up. In particular, the liabilities in respect of active and deferred members are assumed to be discharged by the payment of transfer values in respect of these members. This value has been determined in accordance with the minimum transfer value basis prescribed by the Society of Actuaries in Ireland. In the event of the Fund winding up, there may not be sufficient assets to purchase deferred annuities for active and deferred members on a guaranteed basis from a life office. The market in Ireland for deferred annuities is extremely limited. For this reason, I have not sought a quotation to cover the cost of deferred annuities. In any event, there is no guarantee that a quotation would be available in the event of an actual Fund wind up.

5.21 The value placed on the liability in respect of pensioners for the purpose of calculating whether the Fund meets the funding standard is the estimated cost of purchasing annuities from a life office.

5.22 In assessing whether a Fund meets the funding standard, it is not necessary to include the cost of granting discretionary pension increases. Accordingly, the liabilities under the Minimum Funding Standard only allow for pensions in payment to increase where such increases are required by law – i.e. LPI in respect of UK members.

5.23 I have created a reserve of €500,000 to allow for the expenses of administering a wind up.

6

RESULTS AND RECOMMENDATIONS

ONGOING VALUATION

6.1 The contribution rate emerging from the ongoing valuation is 30.6% of the Minimum Approved Stipend and is payable with effect from1st January 2008. This represents an increase of 1.7% in the current contribution rate payable by the individual member, diocese and Representative Body. The current rate of 28.9% of the Minimum Approved Stipend has been paid in the period since the 1st January 2005.

6.2 This rate does not allow for the expenses to be paid from the Fund. It allows for a continuation of the current policy of granting discretionary pension increases from the Fund.

6.3 The contribution rate has been determined on the basis that contributions are paid quarterly.

6.4 The contribution rate is expected to cover both the cost of providing future service benefits and also the current imbalance between the assets of the Fund and the accrued liabilities. Subject to the requirement to meet the statutory funding standard, there is some choice over the period over which the deficit may be funded. A period of approximately 17 years, which is the average expected future working lifetime of the active membership has been chosen. The deficit is derived as follows (the position at the previous valuation is shown for comparison purposes):

	30/06/2006	**30/06/2003**
Accrued Liabilities:	**€000's**	**€000's**
Members in service	52,665	49,236
Deferred pensioners	4,528	2,233
Pensioners	87,270	60,152
All members	144,463	111,621
Market value of assets	127,768	95,965
Deficit	16,695	15,926
Funding level	88.4%	86.0%

6.5 The table above shows that, on the basis of the method and assumptions employed, the funding level on an ongoing basis is 88.4%. The shortfall of assets to liabilities was €16,695,000. This compares with a funding level at the previous valuation of 86.0% and a deficit of €15,926,000.

MINIMUM FUNDING STANDARD

6.6 I set out below the results of the calculations undertaken to determine whether the Fund meets the funding standard in accordance with section 44 of the Pensions Act, 1990. This compares the assets of the Fund with liabilities had the Fund wound up at the valuation date.

	€000's	**Coverage**
	30/09/2006	**30/09/2006**
Expense provision	500	100%
Cost of securing annuities for pensioners	95,218	
Cost of paying transfer values to active members (incl. revaluation of pre 1991 benefits)	42,332	70.5%
Cost of paying transfer values to deferred members (incl. revaluation of pre 1991 benefits)	3,115	
Total funding standard liabilities	141,165	
Value of assets	127,768	
Deficit	13,397	

The Fund does not meet the funding standard. A Funding Proposal is in place since the last valuation date to restore the solvency level to 100% by 30th September 2011.

6.7 The next actuarial valuation of the Fund is due with an effective date of 30th September 2009. Over the period to the next valuation, we estimate that the statutory funding level of the Fund will increase to 96.5%. This estimate is based on information available, on methodology and assumptions pertaining, and that the recommended contribution rate is paid. The change in funding level is partly affected by expected retirements over the inter-valuation period. This issue is set out in more detail in the funding proposal that was submitted to the Pensions Board.

6.8 I am satisfied that the recommended contribution rate is sufficient to ensure that the Fund is able to satisfy the Minimum Funding Standard at the end of the Funding Proposal period, 30th September 2011. This is based on the methodology and assumptions pertaining to calculations under the Minimum Funding Standard.

7

RECONCILIATION WITH PREVIOUS VALUATION

INTER-VALUATION EXPERIENCE

7.1 Investment growth since the previous valuation has been 12.9% per annum on average. This contrasts with the assumption made in the last valuation of 6.0% per annum. Higher than expected investment growth has a positive impact on the fund.

7.2 The average increase in the Minimum Approved Stipend for Northern Ireland members was 3.3% per annum on average and for Republic of Ireland members was 3.8% per annum on average. This compares with an assumed annual rate of increase in salaries of 3.5% in the previous valuation.

7.3 Pensions in payment under the Fund were increased each year on 1st January and average 2.8% per annum for Republic of Ireland pensioners and 2.9% per annum for Northern Ireland pensioners since the previous valuation. This compares with an assumption of 2.5% per annum adopted in the previous valuation. Higher than expected pension increases have a negative impact on the fund.

ONGOING FUNDING LEVEL

7.4 I carried out the previous actuarial valuation at 30th September 2003. The value of the assets was less than the value of the accrued liabilities, after making allowance for projected salaries and there was therefore a deficit in the Fund of €15,926,000. This contrasts with the deficit at the current valuation of €16,695,000.

7.5 The principal reasons for the change in the deficit position between the two valuations are shown below with the appropriate financial impact expressed as a percentage of the fund liabilities as at the current valuation date:

		% of fund liabilities
-	Changes in assumptions	13.7%
+	Investment return higher than assumption	10.5%

7.6 Section 5 sets out the changes made to the assumptions used in the valuation. The key changes in assumptions are listed below:

-	Net effect of change in assumed rate of pension increases and change in assumed investment return after retirement
-	Change in assumed mortality after retirement
-	Change in assumed mortality before retirement

7.7 The net effect of the change in assumed pension increases and the change in assumed investment growth after retirement is shown above rather than the effect of changes in the individual assumptions. This is because the difference between these rates affects the valuations results, more so than changes in the individual assumptions.

7.8 In light of the expectation that people will live longer, I have adopted lighter mortality assumptions than used for the previous valuation. As an indication of the effect of this change, the change in post retirement mortality has resulted in an increase of 19% to the liability in respect of a 65 year old male.

CONTRIBUTION RATE

7.9 The contribution rate since the previous valuation has increased from 28.9% to 30.6% of the Minimum Approved Stipend due mainly to the change in assumptions.

8
INVESTMENT STRATEGY

8.1 The trustee is responsible for investment policy and I recommend that they review investment objectives and strategy regularly. The broad purpose of such reviews should be to:

- consider the investment risk associated with different investment strategies;
- confirm that the prevailing investment strategy remains appropriate, or otherwise. This may act as a stimulus for change.

Liability Profile of the Fund as at 30th September 2006

8.2 The Fund's accrued liability profile is broadly as follows:

	Average Age	**Ongoing Basis %**	**Funding Standard Basis (excluding expenses) %**
Pensioners	77.2	60.4%	67.7%
Deferred pensioners	49.3	3.1%	2.2%
Active members	48.1	36.5%	30.1%
Total		**100%**	**100%**

From this, it can be seen that the Fund is relatively mature with a high pensioner liability, and negative net cash flow. As an indication of the pace of maturity of the Fund, accrued liabilities on an ongoing basis, as a proportion of the total liabilities, is 78.4% at the current valuation date, whereas at the last valuation, this percentage was 75.8%.

Current Investment Strategy

8.3 The current investment strategy of the Fund allocates a significant portion of the assets to equities (80% of the fund is invested in equities).

This strategy is formulated in the expectation that, over time, equities will produce future investment returns that exceed the current yield available on bonds, although this is not guaranteed. I have assumed that the trustee will continue to invest a significant portion of the assets in equities in respect of the period of investment for active and deferred members prior to retirement and that these investments will produce a return that exceeds the current yield available on bonds. In respect of the period after retirement, I have assumed that the investment strategy will be more bond oriented, reflecting the fact that long dated bonds are a more appropriate match for pensions in payment.

8.4 The assets held by the Fund thus represent a degree of mismatch with the liabilities. If the return on the assets does not broadly achieve a return in excess of that on long dated bonds as per the assumptions outlined above, then all else being equal, the ongoing funding level will deteriorate, the cost of future benefit accrual may rise and the likelihood is that the recommended contribution rate will increase.

Suitability of Current Investment Strategy

8.5 Actuarial guidance requires the actuary to formally comment on the investment strategy being pursued by the trustees. The Fund's current strategy to invest a significant portion of its assets in equities can reasonably be expected to deliver higher returns over the long term, thus reducing the required contribution, all other things being equal. However, the current strategy could not be considered to be matched to the form and incidence of the liabilities which are predominantly bond based.

The Fund's liabilities consist of an obligation to make pension and other benefit payments to current and potential future beneficiaries and their dependants. Once in payment, pension entitlements are increased on a discretionary basis in line with inflation capped at 5% per annum and payable for the remainder of the beneficiaries' lifetime. In the period up to retirement, death or earlier leaving service, accrued benefits increase each year in line with changes in MAS, which generally might be expected to be linked to, but exceed price inflation over the period. Deferred benefits are indexed in the period to retirement broadly in line with price inflation. In summary, the Fund liabilities are real in nature during the period before and after retirement.

Therefore the current investment strategy can be expected to lead to volatility in the funding level, particularly the discontinuance funding level and one could not, for example, rule out the possibility of further deterioration in the Fund's solvency position in the short term. We would therefore recommend that investment strategy be kept under regular review.

All Bond Alternative Investment Strategy

8.6 Alternative investment strategies could be followed that, at least in theory, would minimise the risk of deterioration in the Fund's funding level. One such strategy would be to invest the assets of the Fund wholly in long-term bonds. The value placed on the Fund's liabilities is closely related to the value of long bonds. Therefore, this strategy would substantially reduce the risk that changing economic conditions will cause a deterioration in the Fund's funding position. It would also tend to produce a more stable contribution rate but with the expectation of an overall level higher than I have recommended.

8.7 This is because by investing a greater portion of the Fund's assets in bonds, it would no longer be appropriate to anticipate the higher investment return that is expected to be achieved by equities to the extent that I have. In common with most schemes, the trustee has adopted a higher risk investment strategy in the expectation of reducing long-term contribution requirements.

8.8 An alternative approach would be to determine the present value of liabilities solely by reference to current bond yields. As outlined in Section 5.2, the yield on long term government bonds is approximately 4.0% p.a. and if this rate were used for funding purposes, the contribution rate would increase from the recommended rate of 30.6% to 54.9%. If the assets of the Fund were actually invested wholly in such bonds of appropriate duration and this higher contribution rate were paid, then this contribution rate would be expected to be relatively stable over the future working lifetime of the active members, all else being equal.

Scenario Analysis – Funding Standard Position

8.9 Future investment returns will never exactly match the assumptions underlying the statutory funding standard basis especially in the short term. To illustrate the impact that adverse market conditions would have on the statutory minimum funding level of the Fund, we have recalculated the minimum funding level at the valuation date assuming long bond yields fell by ½% p.a. **and** equity and property values fell by 20%. In this assessment, we have assumed that the only impact on transfer values determined on the Society of Actuaries Guidance Note 11 basis is that which arises due to the change in the relevant Market Value Adjustment Factors.

8.10 On this basis, the deficit relative to the statutory minimum funding position at the valuation date would have been €40,577,000, compared to the current deficit of €13,397,000.

8.11 The severe impact this change in conditions would have on the Fund's statutory funding position would imply a very material increase in contribution requirements, all else being equal.

Alternative investment strategies exist that would reduce or minimise the potential adverse implications of an economic scenario such as that outlined above. For example, investing a higher portion of the Fund's assets in bonds would reduce the potential downside risk. Such an alternative would also, of course, limit the potential for upside risk, in addition to increasing the expectation that a higher overall ongoing contribution rate will be required.

FUNDING PROPOSAL

8.12 The Fund currently fails to meet the funding standard as required by the Pensions Act, 1990. A Funding Proposal is in place since the last valuation date to restore the solvency level to 100% by 30th September 2011. Achieving the objective of meeting the funding standard as at 30th September 2011 is heavily dependent on achieving the expected return on assets. The value of liabilities, measured on the funding standard basis, as already mentioned, is related to the value of long bonds whereas the current investment strategy includes significant equity content. There is a potential conflict between the investment policy being pursued to achieve long-term funding objectives and the investment policy most likely to minimise the likelihood of failing the funding standard at 30th September 2011. This conflict requires a trade off to be made between maintaining a high equity content with the aim of reducing the long-term cost of the Fund and investing more significantly in bonds in order to reduce volatility.

8.13 Further advice to the Representative Body will be necessary in relation to the funding proposal if the asset return over the term of the funding proposal is materially out of line with the assumptions made, particularly if the return on the Fund's equities relative to the return on bonds falls materially short of expectations.

8.14 Any investment strategy put in place for the purposes of a funding proposal might be reassessed and managed on a *dynamic* basis. For example, if an equity-biased strategy is in place during the period covered by the funding proposal, and equity markets rise and thus have a positive impact on the funding level, the trustee may wish to then proactively consider locking in some of these gains by reducing the equity component. Thus, over time, the emphasis of the investment strategy can be moved from shorter-term return enhancement (a goal in the context of the funding proposal) to the longer-term focus of risk management and achieving sustainable returns to adequately fund the pension liabilities.

A

Benefit Summary

The benefits for the clergy who are members of the Fund and contributions currently payable under the provisions of Chapter XIV of the Constitution are summarised briefly below.

BENEFITS

Retirement Age:

The normal retirement age for incumbents and curates is 65 or the completion of 40 years service.

Pension:

On retirement at normal retirement age a member receives a pension calculated as 1/60th of MAS in force at that time, in respect of each year of service up to a maximum of 40 years.

Commutation Option:

A member, on retirement, can elect to receive a portion of his pension up to 25% as an equivalent lump sum equal to 9 times the amount of pension given up.

Death in Retirement:

On the death of a pensioner, a widow's pension of two-thirds of the member's full pension entitlement (before commutation) is payable, but the members pension is paid for a minimum period of 5 years.

Provision for additional pension payments in respect of dependent children and orphans are also included.

Death in Service:

On death in service a pension is payable to a member's widow equal to two-thirds of the pension payable to the member had he remained in service to normal retirement age but based on the rate of MAS at the date of death.

A lump sum is also payable of four times the rate of MAS at the date of death.

Provision for dependent children and orphans' benefits is included.

Early and Late Retirement:

A member who has attained the age of 60 and completed two years' service may retire immediately and receive reduced retirement benefits.

If a member is forced to retire as a result of ill health, he is entitled to receive 90% (and in certain cases, 100%) of the pension which derives from the service he has completed at his date of retirement based on the rate of MAS in force at that date.

A member who retires after normal retirement age receives an enhanced pension payable from actual date of retirement.

Withdrawal from Service:

On ceasing to be a contributing member of the Fund, a member having completed two years of service will receive either his accrued pension accumulation in respect of service to date of leaving, or a transfer to another fund approved by the appropriate Revenue authority of an amount equal to the value of the pension accumulation. If he has completed less than two years service he will receive only a refund of his contributions (see below) to the fund with interest thereon at 3% per annum or with the Board's consent the accrued pension accumulation. In respect of contributions paid on or after 1st January 1976 the accrued pension accumulation shall be increased each year up to retirement by the same percentage as that applied to pensions in course of payment.

Increases in Pension:

Pensions in the course of payment will increase each year by inflation subject to an annual maximum of 5% subject to this not being greater than is acceptable to the relevant Revenue authority.

Special Provision for Bishops and Archbishops:

Bishops and archbishops receive similar benefits to incumbents/curates but have a normal retirement age of 65, and are automatically credited with 40 years of service in respect of that portion of the pension relating to minimum approved stipend. Additional benefits are based on the bishop's (or archbishop's) actual stipend, being 1/18th of the additional stipend (over minimum approved stipend) up to a maximum of 12 years, for each year of Episcopal service.

Contributions

At the valuation date the rates of contribution payable to the Fund were:-

- A basic contribution of 21.2% of MAS of which 5.3% is charged to members.

- An additional contribution of 7.7% of MAS provided out of central funds.

- An additional contribution payable in respect of bishops. For one bishop consecrated prior to 1st January 1979 the rate is 8.9% of stipend. An individually calculated additional contribution rate is payable for those consecrated after 1st January 1979.

- An individually calculated additional contribution is payable in respect of those members over age 35 on entry to the Fund. A fixed proportion of this special contribution is charged to the individual member concerned.

- Certain members now make Additional Personal Contributions to increase their pension entitlements up to the Revenue maxima.

- Some voluntary contributors to the pre-1976 Widows and Orphans (Church of Ireland) General Fund, providing additional reversionary pensions for their widows, elected to continue their contributions to the Clergy Pensions Fund.

B

Glossary

An explanation of the terms used in this report is set out below:

TERM USED	EXPLANATION
Accrued Benefit:	Pension or other benefit that has accumulated to the member taking into account the service the member has completed up to the ***valuation date***.
Amortisation Period:	The period over which contributions are either increased or decreased to remove a deficit or surplus respectively.
Attained Age Method:	The Attained Age Method is one of the methods of actuarial valuation used to measure the financial position of a pension scheme. It is often used when a scheme is closed to new entrants or where the average age is expected to increase over time.
Certified Percentage:	The percentage of the cost of revaluation from date of leaving to retirement, on pensions secured by service before 1991 that is covered by assets if the scheme wound up at the effective date of the last actuarial funding certificate. The percentage must reach 100% by 1st June 2012.
Contribution Adjustment:	Increase or decrease to the ***normal contribution*** rate to take into account any past service surplus or deficit.
Deferred Annuity:	An insurance policy taken out to provide income in the future to a member who has not yet retired. In the context of a scheme wind-up, a ***deferred annuity*** may replace ***accrued benefits*** to be provided to non-pensioner members of the Scheme. The market in deferred annuities is extremely limited.
Deferred Member:	A former member who retains an entitlement to a benefit from the scheme.

TERM USED	EXPLANATION
Funding Basis:	The financial and demographic assumptions used to determine the value of the assets and liabilities of the scheme. The ***funding basis*** could be determined assuming the scheme is ongoing or to test the funding standard requirements.
Funding Level:	Under any particular set of actuarial assumptions, the ratio of the value of the accumulated assets at the ***valuation date*** to the value of the ***accrued benefits*** (the liabilities).
Funding Objective:	The long term goal for operating the finances of the Scheme determined by the Representative Body.
Funding Plan:	The pattern and timing of contributions adopted by the Trustee to achieve the ***funding objective*** or ***funding target***.
Funding Standard:	A statutory minimum ***funding level*** set down by the Pensions Act 1990. Under the funding standard methodology, the value placed on pensioner liabilities is equal to the cost of purchasing immediate annuities and the value placed on non-pensioner liabilities is the cost of providing a transfer value.
Funding Target:	The long term desired ***funding level*** set out in the ***funding objective***.
Future Service Benefits:	Pension or other benefit that the member will earn under the Scheme for service to be completed after the ***valuation date***.
Immediate Annuity:	An insurance policy to provide income to a retired individual. In the context of a Scheme wind-up, an ***immediate annuity*** may replace the benefits being provided under the Scheme for a pensioner member.
Market Yields:	The return currently available on investments, typically government or corporate debt.

TERM USED	EXPLANATION
Normal Contribution:	The total cost, before allowing for member contributions, of providing ***future service benefits*** under the Scheme.
Past Service Benefits:	Pension or other benefit that has accumulated to the member taking into account the service the member has completed up to the ***valuation date***.
Real Return:	The investment return measured relative to wage or price inflation eg. if investment return is 6% per annum and price inflation is 2½% per annum, the ***real return*** relative to price inflation is 3½% per annum (6% less 2½%).
Real Yield:	The return available on an investment at any point in time measured relative to price inflation. A positive ***real yield*** implies the purchasing power of the asset will increase over time.
Valuation Date:	The date at which the calculations are effective for the purposes of this report.

An Bord Pinsean -
The Pensions Board

SCHEDULE BC

Article 4

ACTUARIAL FUNDING CERTIFICATE

THIS CERTIFICATE HAS BEEN PREPARED UNDER THE PROVISIONS OF SECTION 42 OF THE PENSIONS ACT 1990 ("the ACT") FOR SUBMISSION TO THE PENSIONS BOARD BY THE TRUSTEES OF THE SCHEME

SCHEME NAME: **The Church of Ireland Clergy Pension Fund**

SCHEME COMMENCEMENT DATE: **1st January 1976**

PENSIONS BOARD REFERENCE NO.: **PB 1667**

EFFECTIVE DATE OF

THIS CERTIFICATE: **30th September 2006**

PREVIOUS CERTIFICATE: **30th September 2003**

On the basis of information supplied to me and having regard to such financial and other assumptions as I consider to be appropriate:-

(1) I am of the opinion that at the effective date of this certificate the resources of the scheme, which are calculated for the purposes of section 44 of the Act to be €127,768,000 ***would not*** have been sufficient if the scheme had been wound up at that date to provide for the liabilities of the scheme determined in accordance with section 44 of the Act which, including the estimated expenses of administering the winding up of the scheme, amount to € 141,164,000

(2) I am of the opinion that at the effective date of this certificate the resources of the scheme, calculated for the purposes of section 44 of the Act, would have been sufficient, after allowance for the estimated expenses of administering the winding up of the scheme, to provide for the discharge of the liabilities of the scheme determined in accordance with section 44 of the Act as follows:

(a) **100%** of the benefits as set out in section 44(a)(i) of the Act
(b) **100%** of the benefits as set out in section 44(a)(ii) of the Act

(c) **76%** of the benefits as set out in sections 44(a)(iii) and 44(a)(iv) of the Act

(d) **0%** of the benefits, other than those referred to in subparagraphs (a) to (c) of this paragraph, to which paragraph 5 of the Third Schedule of the Act relates.

(3) ***I hereby state the specified percentage for the above scheme for the purpose of section 44 of the Act to be 0% .***

I therefore certify that as at the effective date of this certificate the scheme ***does not satisfy*** the funding standard provided for in section 44 of the Act. I further certify that I am qualified for appointment as actuary to the scheme for the purposes of section 51 of the Act.

Signature:	*Date:*	*Name:*
James R Kehoe	*Qualification:*	*F.S.A.I*

Name of Actuary's Employer/Firm: **MercerHR** *Scheme Actuary Certificate No:.* *P038*

EXPLANATORY NOTE – PROVIDED FOR INFORMATION ONLY AND NOT FORMING PART OF THE CERTIFICATE

This note is intended to provide clarification of the benefits that the actuary has valued in establishing the liabilities for the purposes of the certificate and assumes that the effective date of the certificate is after 1 June 2002. Section 44 of the Pensions Act, 1990 and the Third Schedule set out in detail the benefits valued.

If the scheme satisfies the funding standard, the actuary is of the opinion that the scheme would have had sufficient assets to meet specified benefits and expenses if it had been wound up. The opinion is based on the position at the effective date of the certificate.

The benefits can be summarised as follows:

(1) *In respect of current pensioners* -

all future benefit entitlements under rules of the scheme

(2) *In respect of members not currently receiving pensions* -

(a) all benefits secured by additional voluntary contributions or granted under the scheme by way of transfer of rights from another scheme, and

(b) the scheme benefits that are required by the Act to be preserved – this relates to all benefits accrued up to the effective date of the certificate and includes revaluation of benefits accrued from 1991, and

(c) the certified percentage of the additional benefits described in paragraph 5 of the Third Schedule. This normally relates to revaluation of benefits accrued before 1 January 1991.

Note to the Trustees

Under the Pensions Act, 1990, the trustees of a defined benefit scheme must arrange to have an actuarial valuation of the scheme carried out periodically and must obtain an Actuarial Funding Certificate.

Certificates must have an effective date of not more than 3½ years after the scheme's inception or the date of the previous certificate. Certificates, completed by an actuary who holds a Scheme Actuary Certificate issued by the Society of Actuaries in Ireland, must be sent within 9 months of the effective date to:

The Pensions Board
Verschoyle House
28-30 Lower Mount Street
Dublin 2

APPENDIX B

MERCER
Human Resource Consulting

Church of Ireland Pensions Board Report 2007

Actuarial Certificate

The Church of Ireland Clergy Pensions Fund was last valued at 30 September 2006.

The results of the valuation showed that the assets of the Fund were sufficient to cover 88% of the accrued liabilities at the valuation date. The accrued liabilities include benefits for the current active members based upon completed service at that date and projected future stipends, pensions in the course of payment to members and their spouses, and deferred pensions in respect of members who have left. In addition, the Fund did not satisfy the Minimum Funding Standard under Section 44 of the Pensions Act 1990 at the valuation date.

Based on the assumptions underlying the actuarial valuation, the actuary recommended an increased contribution rate to the Fund to enable the Trustee to pay future benefits under the Fund as they fall due. This increased contribution level will also enable the Trustee to meet its statutory obligations under the Pensions Act and meet the Minimum Funding Standard by 30th September 2011. I am satisfied that the Fund remains on track to meet this objective.

James R. Kehoe

James R. Kehoe
Fellow of the Society of Actuaries in Ireland

March 2007