GENERAL SYNOD 2007

CHURCH OF IRELAND PENSIONS REPORT

Proposed by Mr Geoffrey Perrin (Dublin)

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Your Grace, Members of Synod.

I am glad to see that this year the report of the Pensions Board is first up and that's highly appropriate because of the significance of Pensions generally and the work of the Clergy Pensions Board. I want to try and explain this significance, not in the language of the trade as plied by actuaries and accountants but, as I have tried, when talking on the subject in the last 2 Synods, in everyday language largely because like many others up and down the country, the Church of Ireland Pensions Board is dealing with everyday problems, and also because it is crucially important for those here in General Synod whether they be clergy contributors and potential beneficiaries or lay people contributing through their parish or diocese.

I want this afternoon to refer especially to pages 95 & 96 in the report-referring to the Triennial Actuarial Valuation and what we as a Board are considering. Firstly let me be very clear in repeating the opening sentence of paragraph 3 on page 95. The Pensions Board collectively, and every single member of it, wants to do all in its power to ensure the long term survival of the Defined benefit Scheme and to seek to maintain it as a non-integrated scheme-in other words when clergy pensions are paid they are in addition to the state pension and no deduction is made from the clergy scheme, as happens in the majority of schemes. I've said here before, as the son of a Rectory, how appreciative my parents were of the scheme when they cane to retirement. As a board we want to do all we can to keep intact what is clearly a very good and much appreciated scheme. Having said all that we have to deal with the reality of the times we are in and to take whatever steps are necessary to ensure both the long term survival of the scheme but that it also meets the statutory requirements, most noticeably the solvency requirements of the Irish Pensions Board.

The world of occupational pensions has seen radical changes in recent years, such that outside of the public sector, most organizations have decided that the costs and open-ended commitments associated with Defined Benefit schemes are unsustainable. In the public sector, while generally DB schemes have survived, various reforms have had to be introduced to restrain escalating costs.

The radical changes I have just mentioned are well known. And yes they have appeared again, in the Triennial Actuarial Valuation dated 30/9/2006.Ever increasing longevity means that retirement now lasts much longer with pensions being paid over many more years than was the case a generation ago. Last year, in similarly proposing the report of the Pension Board I referred to revised longevity tables for a typical 70 year old. This year I can do even better-I now have a table which predicts life expectation for males and females at age 65 in England, but right up to the year 2054! So don't waste your money on the Kilkenny astrologers, come and have a private chat with me later and I will tell you what the table indicates for you. But to be serious, as we must, the tables show that e.g. a male retiring at age 65 would expect today to live on average to his early/mid 80s, whereas in 30 years time, life expectancy for the same group will be on average the early 90's.

Investment returns have generally been lower than they were in the mid 1990's and while the investment returns of the CPF were better than we had expected in the 3 year review period, all this shows that the slight increase in deficit could so easily have been much greater. We have also to work with the realities of the market in terms of e.g. the yield or interest rate, on 30 year government bonds (a fairly major component of pension fund investment planning) which at the time of the last valuation were 4.8% and now 3 years later are 3.9%. Taken individually some of these points may appear small but collectively their impact on a very good scheme with a small number of members is something that has to be monitored very carefully by the CPB. And that's just what we are doing, with our sub committee, the constant deliberations of the main committee and regular meetings with the scheme Actuary. At our next meeting in June the Board will again be joined by the Actuary to consider more fully a wide range of possible changes. You see the reference to a POSSIBLE change in Normal Retirement Age from 65 to 67. It's a POSSIBLE change and something that we would only consider on a scaled introduction: it is certainly not envisaged that it would affect those in the latter stages of their ministry. But it has to be considered as a possible option as we as a Board continue with our determination to keep this excellent DB scheme. The adequacy of pension arrangements for our clergy is crucial, that's sustenance or Sustentation. But the Church is under the same obligation as other organizations to act responsibly and especially to ensure that it does not allow a gap to open between what it promises and what it can afford to pay in the long term.

Therefore the one firm recommendation this year is contained in Bill No 6, i.e. an increase in total annual contributions to the Fund of 1.7% which increase to be shared in similar proportion to the existing contributions and bringing a new total contribution rate of 30.6%

At the start of my speech I referred to the general problem with pensions these days. Its facing everybody. In England the Archbishops Council report of last year has resulted in total contributions to their DB scheme increase from 1st January this year by 6% to 39.8% and this will increase to 43.5% next year. Once again we are in a much healthier position in the CoI.

Your Grace, I have much pleasure in proposing that the report of the Church of Ireland Pensions Board be received and adopted.

Thank you