Clergy Pensions- Report from the Archbishops' Council

Proposal

1. In February 2007 Synod endorsed recommendations from the Pensions Task Group and the Archbishops' Council for changes to the clergy pension scheme, subject to the statutory consultation with scheme members, and invited the Council to return with final proposals in July.

2. Having considered the results of that consultation and taken advice from DRACSC, the Council has decided to invite the Synod to confirm its acceptance of the proposals debated in February and to approve the consequential changes to the scheme rules.

Background

3. In common with most pension funds the Pensions Board receives every three years from its actuary a formal valuation of the fund's assets and liabilities. The Board determines what contribution the dioceses and other bodies responsible for funding the scheme must make in order to ensure their commitments can be met. A contribution rate is then set for the next three years.

4. In 2004 the Board set a rate of 33.8% for the clergy scheme for three years from 1 April 2005 (already 54.3% higher than the initial rate when the funded scheme started in 1998). Notwithstanding the 33.8% rate, it became clear towards the end of 2005 that, in common with many other pension schemes, the clergy pension scheme faced serious funding difficulties unless some further action was taken.

5. To provide better protection for scheme members the Pensions Act 2004 had strengthened the requirement for all pension fund trustees to take a prudent approach when setting contribution rates. In November 2005 the Pensions Board actuaries advised that these new statutory duties, together with increases in longevity and lower long-term investment returns, meant that contribution rates for any given level of benefits were bound to rise further.

6. Many organisations outside the public sector have closed their defined benefit schemes to new members over the past few years and others have done so since the 2004 Act. The Church itself has not been exempt from these pressures: the Church Administrators' defined benefit scheme was closed to new members of staff joining the national church institutions from July 2006.

7. In view of the prospect of yet further increases in the contribution rate for the clergy scheme the Archbishops tasked the chairs of the Pension Board, the Archbishops' Council Finance Committee and the First Church Estates Commissioner with producing an urgent assessment of the position.

8. The Task Group's first report[1] was published on 1 March 2006 and identified the questions the Church would have to consider, including whether a defined benefit pension scheme for the clergy was sustainable.

9. In addition, in the light of the information then available, the Pensions Board decided that it could not responsibly leave the contribution rate unchanged until 1 April 2008. It therefore

[1] Clergy Pensions – The Challenge facing the Church - Report of the Archbishops' Task Group http://www.cofe.anglican.org/info/pensions/pensrep.rtf

took the unusual step of making a precautionary interim increase in the contribution rate raising it to 39.8% of the National Minimum Stipend. Dioceses and other responsible bodies began to pay this on 1 January 2007. This means that the cost of clergy pensions is now 17.6% higher than it was last year.

10. A second report from the Task Group was published on 30 June 2006[2]. It set out three options for consultation: the retention of the defined benefit scheme but with reduced benefits; a move to a defined contribution scheme for the clergy; or to return all responsibility for the scheme to the Church Commissioners. All the 'responsible bodies' designated under the scheme, including the 44 Diocesan Boards of Finance, were asked to submit their comments (via the Bishop's Council in the case of dioceses) by the middle of November 2006.

11. Responses showed overwhelming support for the maintenance of a defined benefit scheme for serving and future clergy, so long as it could be made affordable. Dioceses made it clear that in practice this meant keeping the contribution rate below 40%.

12. There was little support for a defined contribution scheme and only very limited interest in exploring the third option further. Subsequently, in the light of further information from the Pensions Regulator and discussions with the Department for Work and Pensions, the Church Commissioners and the Pensions Task Group have had to conclude that this third option would in fact not be feasible.

13. It is important to be clear that this does not mean that the Church Commissioners' assets are irrelevant to the funded pensions scheme. While their most significant pensions responsibility is in relation to funding pension earned before the new scheme started in 1998, they are, along with the dioceses and others, one of the 203 'responsible bodies' who fund the new scheme. This is because they pay the pension contributions for bishops and some cathedral clergy.

14. Under the rules of the pension scheme, as with many other pension schemes, there is a joint and several responsibility among all the bodies who fund the scheme. Consequently the strength of the Commissioners' asset base is something that the Pensions Board can properly take into account when assessing the robustness of the scheme. It does not absolve the Pensions Board from setting a contribution rate which is prudent. But it does mean that, for example in assessing the strength of the funders' covenant and judging how long a period would be prudent for eliminating the deficit in the funded scheme, the Board can have regard to the financial resilience of the Commissioners.

15. The Task Group had proposed three key changes to make the defined benefit scheme more affordable: increasing the pension accrual period from 37 to 40 years for all future service; discontinuing the policy of matching stipends by, if necessary, making discretionary increases to pensions in payment above those guaranteed by the scheme; and changing the rules of the scheme so that for future service it guarantees post-retirement increases of RPI up to a limit of 2.5% per annum (the statutory minimum) rather than, as now, 5%.

16. DRACSC considered these proposals carefully in the light of the submissions from the 2006 consultation exercise. It recommended that the guarantee for post retirement increases should be RPI up to 3.5% pa rather than 2.5%. With this modification DRACSC commended the task group's proposals to the Archbishops' Council.

[2] Clergy Pensions – Second Report of the Archbishops' Task Group
http://www.cofe.anglican.org/info/pensions/secrepsm.rtf

17. The Council accepted these recommendations and secured endorsement of the changes from General Synod in February subject to the statutory consultation with scheme members.

The consultation with scheme members

18. The consultation period of 60 days opened on 23rd March 2007. A document setting out the proposed changes to the scheme and giving examples of how individuals will be affected was sent to 25,000 active members, people with deferred pension and pensioners. Consultees were invited to make their views known using a response sheet.

19. A copy of the consultation document and response sheet is attached at Annex A. Attention is drawn particularly to the two tables at appendix 2, the first of which illustrates how pensions in payment would have been affected if the changes now proposed had taken place 10 years ago and the second of which gives an illustration of what might happen over the next ten years on a range of assumptions.

20. DRACSC received 3,392 responses before the consultation closed on 31 May, a response rate of about 14%. As the tables below indicate the majority of respondents broadly accepted the proposed changes. The Committee looked separately at the responses from active members (i.e. those still accruing benefits under the scheme) and other members (i.e. pensioners, and those with deferred pension). A more detailed analysis, including the breakdown in responses between active and other members is attached at Annex B.

Accept Proposal	***Percent***
To increase the Length of Service from 37 to 40 years	67.4%
Ceasing the policy of making discretionary increases above those guaranteed by the Scheme	60.2%
Reducing LPI to 3.5%	49.7%

Accept Proposal with Concern	***Percent***
To increase the Length of Service from 37 to 40 years	20.1%
Ceasing the policy of making discretionary increases above those guaranteed by the Scheme	14.7%
Reducing LPI to 3.5%	20.9%

Reject Proposal	***Percent***
To increase the Length of Service from 37 to 40 years	12.4%
Ceasing the policy of making discretionary increases above those guaranteed by the Scheme	24.5%
Reducing LPI to 3.5%	28.8%

21. In the light of the responses and the recent increases in price inflation the Committee reviewed the entire package, including particularly the change on which most concerns were

expressed, namely the proposal to reduce the limit on price indexation in the scheme rules from 5% to 3.5%.

22. Members of the Committee weighed this point carefully and concluded that on balance the significant saving to the contribution scheme that would be achieved by this reduction, the need to produce an affordable and sustainable scheme and the robust framework that the Government has put in place to manage the economy and hold down inflation rates, meant that they should confirm their original recommendation.

23. In considering DRACSC's recommendations, the Council has had to look at the wider picture, including the outcome of the Church Commissioners' actuarial review and the latest advice from the Pensions Board's actuaries.

Church Commissioners' actuarial review

24. Since February, the Church Commissioners have received the results of their own triennial actuarial review. **These have no direct bearing on the funded pension scheme,** which is the subject of a separate actuarial review conducted for the Pensions Board. They are, however, relevant to the overall financial context facing the Church. A difficult set of results from the Commissioners' review would have increased the pressures on dioceses.

25. In the event, the Commissioners' strong investment performance has contributed to a very good outcome, as a result of which the Commissioners should, for the next three years, be able at least to sustain in real terms their existing distributions, via the Archbishops' Council, to dioceses and continue to invest in meeting new opportunities as well as tackling need.

26. The Church Commissioners, Archbishops' Council and House of Bishops have already considered options for spending priorities for 2008-10 but final decisions will not be possible until the autumn because on one particular point the outcome depends on what is decided in relation to pensions.

27. The Pensions Task Group, with the help of the Pensions' Board's actuaries, estimated that the package of changes that they proposed would still leave dioceses and others facing a contribution rate of over 40% (in fact many dioceses have met the increase to 39.8% since January this year by drawing on reserves and have signaled that they will have great difficulty sustaining a rate as high as this). In consequence the Task Force built into the package some additional help for dioceses.

28. It noted that discontinuing the present post-retirement discretionary increases would not only reduce the contribution rate for the funded scheme but would reduce the size of the Church Commissioners' liabilities for pensions in respect of service before 1998. It therefore proposed that the money saved should be distributed to dioceses, initially on a per capita basis in relation to stipendiary clergy numbers, in order to help them with pension contribution costs. The initial estimate was that this might enable a further £4.4m per year to be distributed to dioceses. The Commissioners' triennial review has produced an updated figure of £5.9m. After listening to responses to the member consultation the Council has made a proposal for one additional use for part of this additional money (see paragraph 46).

29. The Council has confirmed that, if the money becomes available it should be distributed to dioceses on a per capita basis for this triennium. The money would also be front- loaded, partly to help dioceses meet the most immediate pressures and partly in recognition of the fact that this method of non- selective distribution is not intended to continue indefinitely. **Whether the money will in fact be available does, however, depend on whether it is agreed that the policy of making discretionary increases linked to stipends should cease**.

Pensions Board actuarial review

30. The Pensions Board's first preliminary discussion of the report from its actuaries is on 19 June. Because of the much more stringent requirements under the 2004 Pensions Act and subsequent regulations the Pensions Board will have to reach a number of key judgments over the next few months before finally determining the contribution rate from April 2008. The issue that the Council has had to consider, therefore, is whether anything has yet emerged from the actuaries or is likely to emerge as the Pensions Board continues its consideration that would be likely to change the basis on which the consultation exercise was conducted. Or to put it more directly: (a) are there any indications that the scale of the difficulties previously identified is now significantly reducing and (b) is it safe to proceed to decisions on the benefits structure now before the actuarial review is completed?

31. Having discussed the position with the Chief Executive of the Pensions Board, the Archbishops' Council is satisfied that the underlying challenges facing the funded pensions scheme remain serious and substantial. Since November 2005 the Task Group and the Council have had regular updates from the Pensions Board's actuaries at each stage. What is emerging from the actuarial review is consistent with earlier advice. Despite some recent improvements in investment returns the Pensions Board will still be faced with a deficit larger than at the last actuarial review in 2004. It will also have to take a view on the increased prudence requirements under the new Regulations, future improvements in life expectancy, its own future investment strategy and a number of other factors relevant to the impartial and independent assessment it has to make of the funding requirements of the scheme.

32. The Council is therefore satisfied that it is necessary to proceed now to final decisions. Indeed it acknowledges that the Pensions Board needs to know how the Church intends to adjust the benefits of the scheme before the Board can determine how much it prudently needs to collect in order to meet its liabilities both for future service and to clear past deficits. As with all defined benefit schemes it is important to have a benefits structure that is sustainable in the long term.

The Archbishops' Council's conclusions

33. Having considered the results of the consultation exercise and looked at the wider picture the Council, like DRACSC, has decided to recommend to Synod the package of changes that were, subject to consultation, endorsed in February.

34. Like DRACSC, the Council is very conscious of the anxieties, particularly among serving clergy, about the possible long-term erosion in the value of the pension if earnings inflation runs well ahead of price inflation or if price inflation itself exceeds 3.5% for significant periods of time.

35. Some have suggested that, by including figures for only a ten-year period, the consultation document did not adequately illustrate what the effect of the proposed changes might be over the longer term. It has been argued, for example, that had the new proposals been in place ever since 1980 the clergy pension would be far lower than it currently is.

36. The general point is of course true that if earnings inflation continued to exceed price inflation or if price inflation consistently exceeded 3.5% the potential erosion in the relative value of the pension would increase over time. It is important to remember, however, that the effect of the switch to 3.5% will only be felt very gradually since the change will apply only to service from 1 January 2008. All service to that point (including service before 1998, which the Commissioners will continue to fund) will continue to have the 5% guarantee.

37. As for linking pension increases to earnings, all other occupational schemes, so far as is known, protect against price inflation, not earnings inflation. It is also important to be clear that the payment of pension increases linked to stipend increases has never been an entitlement but something achieved by discretionary decisions taken annually by the Church Commissioners in respect of service before 1998 and the Pensions Board in respect of subsequent service. The guaranteed increases have been and will remain price related.

38. On the specific question about the history since 1980, any attempts to draw parallels with the experience of the 1980s and early 1990s are highly problematic. Between 1980 and 1984 the national minimum stipend increased by an unprecedented 62.5% in order to make up ground lost during the 1970s. It was only during the 1980s that the intention to lift clergy pensions from half to two-thirds of the minimum stipend was progressively achieved. Moreover, the story of the 1980s, when pension commitments (at the time wholly funded by the Commissioners) were made and pursued without full actuarial scrutiny, is not a happy one in view of the financial difficulties that subsequently arose.

39. What can be said with confidence is that so much has changed since 1980 that attempts to write an alternative history of the last 27 years and then project that into the future are unlikely to be helpful. Predictions about what may happen over the next twenty or thirty years are by their nature full of uncertainties. What the Council has had to do is come to a view about what is the responsible thing to do now in order to sustain the funded pension scheme. Its conclusion is that the proposed package, which means funding a pension that continues to reflect stipend levels at the time of retirement and is then, like all other occupational pension schemes, substantially protected against price (rather than earnings) inflation is the best available in the circumstances.

40. If in the years ahead economic conditions were to change radically and unexpectedly from what currently seems likely, the Church would of course have to look again at what needed to be done and what it was willing and able to afford in the light of all the circumstances at the time. This present package, which is designed to sustain defined benefit arrangements for both current and future clergy despite the widespread disappearance of such schemes outside the public sector, needs to be seen as an earnest of the Church's determination not to allow those who have served it faithfully over many years to be poorly provided for.

41. Concerns about retirement housing were raised by 20% of active scheme members and the level of stipends and the consequent inability to save was mentioned by 10%. DRACSC believes that the cost of pensions and the current policy of making discretionary increases to pensions to peg them to stipends is acting as a drag on stipends and so contributing to this problem.

42. The issue of differentials in pensions for bishops, archdeacons etc was commented on by 3% of all respondents. It is worth remembering that the current level of differentials is only just sufficient for us to remain opted out of the State Second Pension. Removing pension differentials would save very little on the contribution rate but require a costly re-structuring of the scheme[3].

Housing and Deployment

43. Both the 2006 and the 2007 consultations have raised important questions about housing in retirement. In February General Synod asked the staff to undertake a review of the support the Church gives for housing clergy in retirement. Chaired by the Venerable Christopher Lowson,

[3] The clergy scheme is 'contracted out' of the Second State Pension (see glossary) resulting in lower NI contributions being paid by both the clergy and the sponsoring employers

Director of the Ministry Division the review group includes senior staff from the Council, the Pensions Board and the Commissioners and a diocesan secretary.

44. The group held a round table consultation in April attended by various stakeholders including serving clergy, retired clergy, bishops and the Convocations and is receiving advice from experts from the housing and financial sectors. It is due to make a full report to the Archbishops' Council in November. Work is focussed on changes that might enable more clergy to get a foot on the property ladder or to make other financial provisions for their retirement earlier in their working lives and to help clergy feel more confident and informed about managing their finances in general.

45. It is clear however that there are immediate pressures that cannot wait for long-term solutions. The CHARM scheme is struggling to fulfil the purpose for which it was created in 1983 operating within its current financial parameters. The current borrowing limit of £125,0000 was set in 2003 since which time house price inflation has been 33%. These house price increases have put a reasonable retirement home in many parts of the country outside its price limits

46. A proposal has now been made that there should be an early, significant increase in the CHARM purchase limits and this has already received strong support from the Archbishops' Council and the Inter Diocesan Finance Forum. **The extra funds needed to finance this increase would come from some of the £5.9m money available for distribution from the Church Commissioners provided the current practice of linking post-retirement discretionary increases to stipends is discontinued.** Work on this proposal is being taken forward urgently and it is hoped to give further details of precisely what is proposed during the Synod presentation.

47. Questions about numbers and deployment have also been raised. The Chair of DRACSC has gathered a small group of bishops, archdeacons and diocesan secretaries to do some radical thinking about how the Church might adopt a more pro-active approach to deployment planning. DRACSC will present the results of the group's work to the Council this autumn.

Recommendations and next steps

48. The package endorsed in February involves everyone playing their part to preserve the main features of the present scheme. Parish giving will have to increase to enable the dioceses to meet what will still be much higher pension bills than they were before this year. The dioceses and other funding bodies will have to assure the Pensions Board that their covenant to continue carrying the funding risk and meeting their long term commitments is strong. Active and retired members of the scheme will have to accept some reduction in what they would previously have hoped to receive.

49. What the extensive discussions over the past year and more have revealed and the statutory consultation exercise has now confirmed is that there is a deep commitment in the Church to sticking with a defined benefit system if at all possible. **While no one would have proposed any change in present arrangements had they been avoidable, there has been a widespread recognition that simply increasing the contribution rate without making some reductions in the cost of the scheme would not be responsible or sustainable**.

50. Since the publication of the second Task Group report a year ago there have been opportunities for alternative proposals to be suggested. Some dioceses and individuals have canvassed other approaches and these have all been carefully weighed. But the Council has concluded that the package endorsed by the Synod in February and now accepted by the

majority of members of the scheme who responded to the consultation document provides, for all its difficulties, the most balanced and responsible way forward.

51. It would be reassuring if we were able to give a commitment that this is the last time that the Synod will have to consider changes to the pensions scheme for many years to come. In financial matters absolute undertakings of that kind are impossible. Nevertheless, the greater prudence required by the 2004 legislation should indeed over time create greater stability. In commending these proposals to Synod the Council believes that they offer the Church the best available chance of introducing a measure of stability and sustainability into a scheme the wellbeing of which continues to be of fundamental, strategic significance to the morale and wellbeing of the clergy.

52. **We therefore invite General Synod to approve the following changes**:

- **(i) the accrual period for a full pension should be 40 years in respect of service from 1 January 2008;**
- **(ii) future policy for post-retirement pension increases be to pay only what is guaranteed by the scheme rules;**
- **(iii) the limit on price indexation guaranteed by the scheme be set at 3.5% per annum in respect of service from 1 January 2008.**

Glossary

Actuary

In general, an actuary (or scheme actuary) is the person appointed by the trustees of a pension scheme to carry out an examination of the funding of the scheme (usually at least every three years).

Contribution rate

The amount each responsible body participating in the scheme must contribute to the scheme under the trust deed.

Deficit

A pension scheme is said to be in deficit if after a regular actuarial valuation, (which places a value on the scheme's liabilities which can then be compared to the value of the assets,) the assets of a pension scheme are less than the liabilities.

Defined benefit scheme

A scheme where members' benefits are determined by a formula, usually involving pay and/or service with the employer. These schemes are often called final salary or salary-related schemes.

Defined contribution scheme

A scheme where the benefits are calculated by reference only to the amounts paid into the scheme, the investment return, and how much pension this would buy at retirement. These schemes are often called money purchase schemes.

LPI (Limited Price Indexation)

A modified use of the Retail Price Index for increases in pension after retirement, limited at a certain level, so that if the RPI increase by more than that level, the increase in pension is restricted to that level.

National Minimum Stipend

An amount determined each year by the Central Stipends Authority

Pension Age (Retiring Age)

The age at which the pension becomes payable. In the Clergy pensions scheme a member's 65th birthday.

Pensions Regulator

The Pensions Regulator replaced the Occupational Pensions Regulatory Authority as the regulator of work-based pensions in the UK. It was established under the Pensions Act 2004 and came into force on 6 April 2005.

Prudence

Trustees should choose individual assumptions with a level of prudence consistent with the overall confidence they want, that the resulting technical provisions will prove adequate to pay benefits as they fall due.

Responsible body

The body which has a duty to make contributions for the purposes of the Funded Pensions Scheme to the Church of England Pensions Board in respect of each scheme member for whom the body is responsible.

RPI (Retail Price Index)

The Retail Price Index is an average measure of change in the prices of goods and services bought for the purpose of consumption by the vast majority of households in the UK. It is compiled and published monthly by the Office of National Statistics.

State Second Pension

The State Second Pension (S2P), which replaced the State Earnings Related Pension Scheme, provides an earnings related top up to the Basic State Pension. Schemes which provide a level of benefits which exceeds a set level (known as the "Reference Scheme") are able to contract out of S2P. Members of schemes which contract out do not build up any entitlement to S2P (rights to the Basic State Pension are unaffected) and both members and employers pay a reduced rate of National Insurance contribution. The clergy scheme is contracted out.

Valuation

A comparison by the actuary of the value placed on the scheme assets with the liabilities using the method and assumptions used in the pensions legislation and actuarial guidance.

To all members of the
Church of England Funded Pensions Scheme

Dear Member,

The Church of England Funded Pensions Scheme
Consultation with members on Proposed Scheme Changes

For some time now there has been widespread debate about pensions and the funding difficulties many pension schemes are facing. Many organisations have decided to reduce the level of benefits, whilst others have closed their final salary schemes altogether. Inevitably our own scheme has come under scrutiny. I know that uncertainty causes anxiety and so I am pleased to be able to bring you up to date with our proposals.

Pressure on the funding of pension schemes has increased for all employers over recent years. Improved life expectancy, anticipated lower investment returns and mounting regulation have all served to increase the cost of providing a pension. We have now undertaken an extensive review of the clergy pension scheme and assessed the options open to us. These are outlined in the enclosed consultation document.

The Clergy Pension Scheme has a valued place in our remuneration arrangements and provides important benefits. But the pressures on the scheme mean that for it to be secure now and sustainable for the future we have to make changes both to its benefits and to the level at which it is funded by the dioceses. Doing nothing is not an option.

In February the General Synod made the important decision that the existing, defined benefit, non-contributory pension scheme should remain open but approved in principle a number of changes to secure the future affordability of the scheme. Before these changes to the scheme are made we want to consult with you.

The changes are described in detail in the enclosed consultation document and affect different people in different ways. In outline they are as follows.

- **Dioceses will pay an increased pension contribution for all their current clergy of around 40% of stipends (up from the 2006 level of 33.8%).**

- **If you have already retired or have left the ministry but have deferred pension entitlements:**

    - annual increases to pensions in payment will be in line with increases in the Retail Prices Index (RPI) up to a maximum of 5% in any one year, not in line with stipends.

- **If you are still in active service and receiving a stipend:**

    - pension entitlement earned after 1 January 2008 will be on the basis of working 40 years to earn a full pension. All service up to that date remains on the basis of a 37 year accrual period.
    - pension entitlement earned after 1 January 2008 will attract annual increases in line with increases in RPI up to a maximum of 3.5%. Annual increases in pension accrued up to that date will be in line with increases in RPI up to a maximum of 5%.

In addition Synod approved an urgent review of the adequacy of support for the provision of housing in retirement and a review of wider issues of clergy numbers and deployment.

I believe that these proposals both secure the continuation of the Pension Scheme and strike a fair balance between increasing the contribution made by the parishes and dioceses and reducing the benefits of the scheme, and I commend them to you.

A period of consultation starts today, with a view to General Synod making the proposed changes to the scheme this July which will take effect from 1 January 2008. Please take the opportunity to share any views you have on these proposals with us by submitting comments on the enclosed response sheet **before the consultation closes on 31 May 2007**, to the following address:

> The Secretary to the Deployment Remuneration and Conditions of Service Committee
> Church House
> Great Smith Street
> London SW1P 3AZ

Yours sincerely,

✠ John Ripon and Leeds
Chairman of the Deployment, Remuneration and Conditions of Service Committee

For general enquiries on pensions, please ring 020 7898 1802
or email pensionenquiries@c-of-e.org.uk

Church of England Funded Pensions Scheme

Consulting you about changes to the scheme

Introduction

1 This document sets out the changes we plan to make to your pension scheme. It tells you:

1. why we need to make changes; and
2. how those changes will affect you.

By law, we must consult all members of the scheme.

2 We would like to know your opinions on the plans we are putting forward. Our Deployment, Remuneration and Conditions of Service Committee (DRACSC) will carefully consider your comments. We expect to put changes to the scheme rules to the General Synod to approve in July 2007.

Why we want to make changes

3 Pensions have changed a lot over the past few years. Most organisations outside the public sector have decided that they can no longer afford the costs and commitments associated with defined benefit pension schemes (pension schemes which guarantee that pensions will be linked to final salary). A large number of those schemes have now been closed to new members, and a lot of these have stopped providing the same level of benefits to existing members. Changes to benefit structures have been put in place, such as:

3. lengthening the time you need to work for an organisation to earn a full pension; and
4. increasing pension age.

Although there are still defined benefit pension schemes in the public sector, a range of changes have been introduced to these to limit rising costs.

4 The main reasons we want to make changes to our schemes are as follows.

5. People are living longer, so retirement now lasts much longer and pensions are paid over a longer period than a generation ago.

6. Average returns from investments have been much lower since the mid-1990s, and are expected to stay low for the next few years.

7. Returns from Government bonds have fallen, which has increased the cost of the benefits defined benefit pension schemes have to pay.

8. Under new accounting rules, companies must include pension payments in their accounts, and make managers and investors more aware of how much they are spending on pensions.

9. By law, pension scheme trustees have to invest much more cautiously when funding defined benefit pension schemes. The Government has put these laws in place to make the schemes more secure, but it means that a higher level of contributions has to be paid into the schemes.

5 These pressures affect our pension scheme, and we have had to consider how to respond to the challenge. In November 2005, we set up a task group to assess the situation. The task group produced a report on 1 March 2006, and a second report on 30 June 2006.

The first report:

10. provided background information; and
11. identified the most important issues we needed to deal with.

The second report:

12. identified options for dealing with the issues identified in the first report; and
13. began a consultation process, which ended on 10 November 2006.

You can find the task group's reports on the internet at www.cofe.anglican.org/info/pensions/ or by writing to us at the address shown at the end of this paper.

6 From the report, it is clear that, unless we take action to reduce costs, the contributions which will have to be made to fund existing pension payments will rise to a level that they cannot be afforded. The Pensions Board decided it could not responsibly leave the contribution rate unchanged until the results of the next valuation were known. It decided to increase the contribution rate from 33.8% of the national minimum stipend for the clergy to 39.8%. This means that dioceses and other organisations taking part in the scheme now have to contribute £7,188 a year for each serving member of the clergy, rather than £6,105 a year as before. This adds an extra £9.5 million to yearly spending for the dioceses all together.

7 The second report set out the views of the Pensions Board's advisers on the likely results of the valuation due as at 31 December 2006. They expected that the valuation will show we would need to put up the contribution rate again from 1 April 2008 if we did not change the conditions of the scheme. The task group explored possible ways of limiting costs.

8 We invited dioceses to give us their views on the task group's recommendations. We asked the dioceses to consult a wider range of people before sending a single view through their Bishops' Councils. We also encouraged individual people and other organisations to respond. Some dioceses arranged special meetings to discuss the proposals.

9 DRACSC considered the results of the consultation and made recommendations to us. We put forward a report (paper GS1645) to the February session of the General Synod. You can get a copy of our report on the internet at http://www.cofe.anglican.org/about/gensynod/agendas/gs1645.rtf, or by writing to us at the address shown at the end of this paper.

10 The General Synod approved the recommendations in the report and authorised us to carry out this important consultation with you, our scheme members.

Our recommendations

11 In our report to the General Synod, we said it was encouraging that so many people from around the Church accepted our task group's suggestions. We also said we were aware that many people in the Church, and clergy in particular, were reluctant to have any change in existing benefits, and we share that view. However, we do not think it is in anyone's interest to try to continue with arrangements which dioceses and parishes are not able to fund.

Our task group's consultation exercise showed that people in the church are:

14. committed to continuing to provide a defined benefits pension scheme for the clergy (rather than moving to other types of scheme which offer less security to scheme members); and
15. willing to find some extra money to do so.

Since 1 January 2007, the dioceses have already been paying much more than they were last year in pension contributions, but there is a limit to how much more they can afford.

12 The changes we suggest aim to maintain the benefits the scheme already provides, while trying to limit the cost. One of the changes we suggest (see paragraph 22) would release money from the Church Commissioners that could be shared between dioceses to help them pay the extra pension contributions.

Changes we suggest

13 The changes affect two benefits our pension scheme provides. We would like you to give us your views on changes to:

16. the length of service you need to do to earn a full pension; and

17. yearly increases to your pension benefits.

The length of service you need to do to earn a full pension

14 We work out benefits in the scheme based on the national minimum stipend for the clergy (known as the NMS) in the year that has just passed. The full basic pension at age 65 is two-thirds of the NMS, and the full lump sum is three times the rate of the full basic pension.

15 In 2006/2007, the full service pension was £12,040 a year, and the lump sum was £36,120. By 'full service', we mean 37 years. If you retire with less than full service, you will only get a percentage of the full pension. For example, if you retire at age 65 after paying into your pension for 22 years, you would get $\frac{22}{37}$ of the full pension and lump sum.

16 We suggest extending full service from 37 years to 40 years. This would mean that, instead of each year counting as $\frac{1}{37}$ of the full benefit, it would count as $\frac{1}{40}$.

17 **This change would only apply to years of service you complete after 1 January 2008** (the date we expect the change to take place). So, if you have already completed five years'

service by 1 January 2008, this would still count as $\frac{5}{37}$ of the full benefit. **This change would not affect the pensions that are already being paid.**

18 In Appendix 1 there is a table which shows the effect this change will have on your pension based on a range of periods of service before and after 1 January 2008. There are also two examples with calculations to show the effect the change may have.

19 You can see from the examples in Appendix 1 that, the nearer you are to age 65, the less the change will affect your overall benefits. This is because there is a shorter period of service that will be counted at the lower rate.

20 We work out certain benefits under the pension scheme based on the service you would have done in the future (for example, if you retire early because you are ill, or when we work out your husband's or wife's pension if you die before you retire). For these benefits, the extra service we credit to your pension will also be based on 40ths instead of 37ths.

Yearly increases to your pensions payments

21 At the moment, the rules of the scheme say that yearly pension payments must go up in line with the retail price index (RPI), up to a limit of 5% a year. However, in the past the General Synod has aimed for pensions to go up, as far as possible, in line with increases to the national minimum stipend, and this has always been achieved.

22 We can no longer afford to increase pension payments in line with increases to stipends. It would also not be acceptable for the Pensions Board, as the scheme trustee, to continue to increase pension payments by more than that stated in the scheme rules at a time when the scheme is in debt. We suggest that:

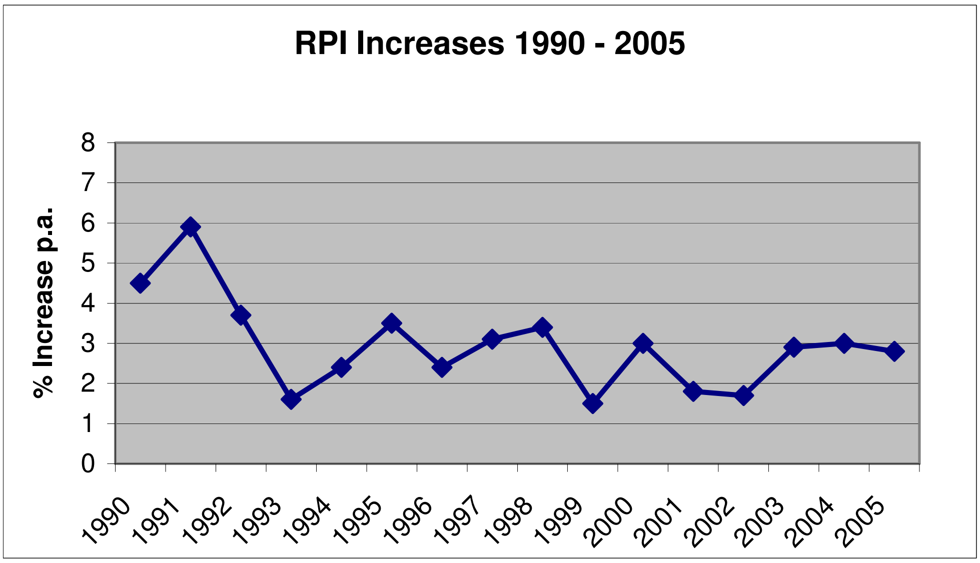
18. we should not continue to increase pension payments in line with increases in the national minimum stipend; and
19. all future pension increases, from 1 April 2008, should be in line with increases in the retail price index up to a maximum figure.

23 This change would also apply to people who joined the scheme before 1998. The change would slightly reduce the pension payments the Church Commissioners make and allow them to provide more non-pension financial support to the Church.

24 Government regulations now allow for pension increases to be limited to increases in the retail price index up to 2.5% a year. (This used to be 5%.) Our task group had recommended that we apply this lower level of increase to pensions paid on service completed after the date of the change. When we consulted people about this, there was a lot of support for removing the link with stipends described above, but many people did not want us to limit increases to as little as 2.5%. DRACSC considered this issue carefully, and recommended that we should only reduce the limit on increases from 5% to 3.5%.

25 **This change would apply only to benefits paid in respect of service completed after the date the change comes into force (which we expect to be 1 January 2008). Benefits paid on service completed before that date (including those from before 1998) would continue to increase by up to 5%**.

26 The graph below shows that, over the 10 years between 1995 and 2005 (for October the first year to September the next), there were only two years when the RPI increased by more than 3.5%. Both times this happened, the increase was 3.6%. In the final months of 2006, inflation went up which meant the RPI went above 3.5% and the consumer price index (CPI) (a measure of the cost of living, which does not include housing costs) went above its 2% target level. As a result, the Bank of England has put up interest rates twice to reduce the effect of inflation the cost of living. Based on the past ten years, limiting pension increases to 3.5% should give pensioners reasonable protection over the long-term against rises in the cost of living.



27 In Appendix 2, you can find some examples of the effect the changes we suggest would have.

The Pensions Regulator

28 Our pension scheme is regulated by the Pensions Regulator, which can take over running schemes if the scheme's trustees, employers or professional advisers have failed in their duties (including the duty to consult people about changes to their scheme). You can contact the Pensions Regulator at:
Napier House
Trafalgar Place
Brighton
East Sussex
BN1 4DW.

Conclusion

29 The changes we have suggested aim to maintain the benefits we provide as far as possible, while at the same time trying to limit costs. However, even with the savings we would make from putting these changes in place, dioceses and parishes would still have to pay around £1200 extra a year for each member (compared to the cost in 2006). We think the changes we have suggested are a sensible and fair way of dealing with the pressures on the Church.

30 We invite your comments on these changes, in particular the issues we set out in paragraph 13. Please send us your comments using the response sheet enclosed no later than **31 May 2007**, to:

The Secretary to the Deployment Remuneration and Conditions of Service Committee
Church House
Great Smith Street
London
SW1P 3AZ

31 For general enquiries on pensions, please ring 020 7898 1802 or email pensionenquiries@c-of-e.org.uk

12 March 2007

Illustrations of the effect on benefits of a change in accrual rate

Service up to 31/12/2007	Service after 1/1/2008	Existing Basis		Proposed Basis		Additional service required to maintain benefits at current level	
		Pension	Lump Sum	Pension	Lump Sum	Years	Days
10	10	6508	19524	6264	18792	0	296
10	15	8135	24405	7769	23307	1	79
10	20	9762	29286	9274	27822	1	227
10	25	11389	34168	10779	32337	2	10
10	30	12040	36120	12040	36120	0	0
15	10	8135	24405	7891	23673	0	296
15	15	9762	29286	9396	28188	1	79
15	20	11389	34168	10901	32703	1	227
15	25	12040	36120	12040	36120	0	0
20	10	9762	29286	9518	28554	0	296
20	15	11389	34168	11023	33069	1	79
20	20	12040	36120	12040	36120	0	0
25	10	11389	34168	11145	33435	0	296
25	15	12040	36120	12040	36120	0	0
30	10	12040	36120	12040	36120	0	0
37	0	12040	36120	12040	36120	0	0

Notes

1. Table shows the pension and lump sum payable at age 65 for a variety of service periods before and after the proposed implementation date
2. Final two columns show the additional service period that would be required in order to receive the same level of pension and lump sum as if the accrual rate had not changed
3. Pension and lump sums used in the illustrations are 2006/7 rates (full pension £12040, full lump sum £36,120)

Worked Examples

Example 1

Full pension rate (2006/2007): £12,040
Full lump sum (2006/2007): £36,120

Date the Revd A began pensionable service: 1 January 1978
Date the Revd A will retire (at age 65): 31 December 2013

Date the change takes effect which increases the length of service needed to earn a full pension: 1 January 2008

Service the Revd A will have worked by the date he wants to retire (31 December 2013): 36 years

How we work out pension if we do not introduce the change
If we do not introduce the change, the Revd A will have worked 36 years of the 37 years he needs to work to get his full pension. His yearly pension would be:

$\frac{36}{37} x £12{,}040 = £11{,}714$. (This is less than the full pension shown above because he would need to work one more year to be entitled to their full pension.)

His lump sum would be £35,142.

How we work out pension if we do introduce the change
If we do change the pension rate, the Revd A will have worked for 30 years at the current rate, and 6 years at the new rate. His service would be worked out as follows.

From 1 January 1978 to 31 December 2007: 30 years (at the current pension rate)
From 1 January 2008 to 31 December 2013: 6 years (at the new pension rate)
Total service: **36 years**

We work out his pension as follows.

30 years at the current rate:

$$\frac{30}{37} x £12{,}040 = £9762.$$

6 years at the new rate: $\frac{6}{40}$ x £12,040 = £1,806.

The total pension the Revd A would receive is:

30 years at the current rate (£9,762) plus six years at the new rate (£1,806), which is **£11,568**.

His lump sum would be **£34,704.**

Shortfall in pension when the new rate is used: £11,714 - £11,568 = £146.
Shortfall in lump sum when the new rate is used: £35,142 - £34,704 = £438.
So, if the new rate comes into force on 1 January 2008, the Revd A would need to work an extra 178 days to receive the pension and lump sum that would have applied had the rate not changed.

If the rate did not change, this member would have been entitled to the full pension after an extra one year's service. If the rate did change, he would need to work an extra one year and 207 days to receive the full pension.

Example 2

Full pension rate (2006/2007): £12,040
Full lump sum (2006/2007): £36,120

Date the Revd B began pensionable service: 1 January 1997
Date the Revd B will retire (at age 65): 31 December 2027

Date the change of accrual rate takes effect which increases the length of service needed to earn a full pension: 1 January 2008

Service the Revd B will have worked by the date she wants to retire: 31 years

How we work out pension if we do not introduce the change
If we do not introduce the change, the Revd B will have worked 31 years by the date she wants to retire.

Her pension would be:

$\frac{31}{37} x £12{,}040 = £10{,}087.$ (This is less than the full pension because she will not have worked the full 37 years by the time she retires.)

Her lump sum would be: £30,261

How we work out pension if we do not introduce the change
If we do introduce the change, the Revd B will have worked for 11 years at the current rate and 20 years at the new rate (31 years altogether). We would work out her pension as follows.

11 years at the current rate:

$$\frac{11}{37} x £12{,}040 = £3579$$

20 years at the new rate:

$$\frac{20}{40} \text{ x } £12{,}040 = £6{,}020$$

The total pension the Revd B would receive is:

11 years at the current rate (£3,579) plus 20 years at the new rate (£6,020), which is **£9,599**.

Her lump sum would be **£28,797.**

Shortfall in pension when we use the new rate: £10,087 - £9,599 = £488.
Shortfall in lump sum when we use the new rate: £30,261 - £28,797 = £1,464

So, if the new rate comes into force on 1 January 2008, the Revd B would need to work an extra one year and 227 days to receive the same pension and lump sum she would have received had the rate not changed.

If she worked until age 70, under the current rate her pension would be **£11,714** (lump sum £35,142). If the new rate came into force, her pension at age 70 would be **£11,104** (lump sum £33,312).

Pension Increase Examples

1. Illustration of a full service pension for someone who retired in 1997 showing actual amounts and illustrations of what would have applied if increases had been in line with RPI over the last 10 years.

	Actual Pension	Stipend-linked increase %	RPI Increase %	Pension increased in line with RPI	Pension increased in line with RPI up to 3.5%
1997	8833				
1998	9173	3.8	3.6	9151	9142
1999	9560	4.2	3.2	9444	9435
2000	9960	4.2	1.1	9548	9538
2001	10380	4.2	3.3	9863	9853
2002	10693	3.0	1.7	10030	10021
2003	11013	3.0	1.7	10201	10191
2004	11346	3.0	2.8	10487	10476
2005	11686	3.0	3.1	10812	10801
2006	12040	3.0	2.7	11104	11093
2007	12400	3.0	3.6	11503	11481

Note: In 2005 and 2007, pensions in payment moved ahead of full service pension as RPI was greater than the stipend-linked increase

2. Illustrations of future full service pensions assuming various rates of inflation

	Pension increased at RPI	Pension increased at RPI plus 1%	Pension increased at 3.5% pa	Pension increased at RPI plus 1%	Pension increased at 3.5% pa	Pension increased at RPI plus 1%
RPI	**3%**		**4%**		**5%**	
2007	12400	12400	12400	12400	12400	12400
2008	12772	12896	12834	13020	12834	13144
2009	13155	13412	13283	13671	13283	13933
2010	13550	13948	13748	14355	13748	14769
2011	13956	14506	14229	15072	14229	15655
2012	14375	15086	14727	15826	14727	16594
2013	14806	15690	15243	16617	15243	17590
2014	15250	16318	15776	17448	15776	18645
2015	15708	16970	16328	18320	16328	19764
2016	16179	17649	16900	19236	16900	20950
2017	16665	18355	17491	20198	17491	22207
2018	17164	19089	18104	21208	18104	23539

Note: Table shows pension rates based on various levels of inflation (RPI). The current assumption is that stipend increases will be at the rate of 1% over RPI.
For each level of inflation included in the table, the right hand column shows what the pension would be if the current arrangements were continued, and
the left hand column what they would be if the proposed change was made.

Annex B

~Pension Scheme Consultation Report~

Summary

In total, 3,392 responses, to the 24,804 consultation documents sent out, have been received. This constitutes a *circa* 13.68% response rate.

The views on the three main proposals made in the Consultation Document were, on the whole, positive. The aggregate percentages[4] are shown below.

Accept Proposal	*Percent*
To increase the Length of Service from 37 to 40 years	67.4%
Ceasing the policy of making discretionary increases above those guaranteed by the Scheme	60.2%
Reducing LPI to 3.5%	49.7%

Accept Proposal with Concern	*Percent*
To increase the Length of Service from 37 to 40 years	20.1%
Ceasing the policy of making discretionary increases above those guaranteed by the Scheme	14.7%
Reducing LPI to 3.5%	20.9%

Reject Proposal	*Percent*
To increase the Length of Service from 37 to 40 years	12.4%
Ceasing the policy of making discretionary increases above those guaranteed by the Scheme	24.5%
Reducing LPI to 3.5%	28.8%

[4] Please read Appendix 2 for a discussion of the use of aggregate percentages.

Analysis

Proposal 1: ***Do you have views on our proposal to change the length of service that clergy will need to do to earn a full pension from 37 years to 40 years, for future service?***

Views on Increasing the Length of Service from 37 to 40 years

	Frequency	Percent
Strongly Agrees	486	14.3
Agrees	793	23.4
Accepts	1008	29.7
Accepts with Concern	244	7.2
Does Not Disagree	438	12.9
Disagrees	422	12.4
Misunderstands	1	.0
Total	3392	100.0

Table 1

Aggregate Views on Increasing the Length of Service from 37 to 40 years

	Frequency	Percent
Accepts	2287	67.4
Accepts with Concern	682	20.1
Rejects	422	12.4
Misunderstands	1	.0
Total	3392	100.0

Table 2

Proposal 2: ***Do you have views on our proposal to change the policy of matching yearly increases in pensions payment to increases in stipends?***

Views on Ceasing the Policy of making Annual Increases Above those Required by the Policy

	Frequency	Percent
Strongly Agrees	395	11.6
Agrees	541	15.9
Accepts	1105	32.6
Accepts with Concern	97	2.9
Does Not Disagree	403	11.9
Disagrees	830	24.5
Misunderstands	21	.6
Total	3392	100.0

Table 3

Aggregate Views on Ceasing the Policy of making Annual Increases Above those Required by the Policy

	Frequency	Percent
Accepts	2041	60.2
Accepts with Concern	500	14.7
Rejects	830	24.5
Misunderstands	21	.6
Total	3392	100.0

Table 4

Proposal 3: ***Do you have views on our proposal to change the limit on pension increases from the retail price index up to 5% to the retail price index up to 3.5% for future service?***

Views on Reducing LPI to 3.5%

	Frequency	Percent
Strongly Agrees	302	8.9
Agrees	424	12.5
Accepts	959	28.3
Accepts with Concern	281	8.3
Does Not Disagree	427	12.6
Disagrees	976	28.8
Misunderstands	23	.7
Total	3392	100.0

Table 5

Aggregated Views on Reducing LPI to 3.5%

	Frequency	Percent
Accepts	1685	49.7
Accepts with Concern	708	20.9
Rejects	976	28.8
Misunderstands	23	.7
Total	3392	100.0

Table 6

Group Summary of Views Broken Down by Respondents' Status in the Scheme

Of the 3,392 responses received, 1,530 were by Active members[5] (16.14% response rate) and 1,892 Other Scheme Members[6] (12.15% response rate).

Accept Proposal	*Active Members*	*Other Members*
To increase the Length of Service from 37 to 40 years	60.7%	73.0%
Ceasing the policy of making discretionary increases above those guaranteed by the Scheme	54.1%	65.2%
Reducing LPI to 3.5%	39.5%	58.1%

Accept Proposal with Concern	*Active Members*	*Other Members*
To increase the Length of Service from 37 to 40 years	19.8%	20.4%
Ceasing the policy of making discretionary increases above those guaranteed by the Scheme	12.7%	16.4%
Reducing LPI to 3.5%	19.2%	22.3%

Reject Proposal	*Active Members*	*Other Members*
To increase the Length of Service from 37 to 40 years	19.5%	6.6%

[5] Stipendiary Ministers who are accruing pension under the Pensions Board's Scheme.
[6] Ministers who have either retired, and are therefore in receipt of their pension, and those who have suspended their contribution to the scheme if employed other organisations such as the NHS or HM Prison Service.

Ceasing the policy of making discretionary increases above those guaranteed by the Scheme	32.7%	17.7%
Reducing LPI to 3.5%	40.6%	19.1%

Analysis

Proposal 1: ***Do you have views on our proposal to change the length of service that clergy will need to do to earn a full pension from 37 years to 40 years, for future service?***

Active Members

Active Members' Views on Increasing the Length of Service from 37 to 40 years

	Frequency	Percent
Strongly Agrees	191	12.5
Agrees	338	22.1
Accepts	399	26.1
Accepts with Concern	148	9.7
Does Not Disagree	155	10.1
Disagrees	299	19.5
Total	1530	100.0

Table 7

Active Members' Aggregate Views on Increasing the Length of Service from 37 to 40 years

	Frequency	Percent
Accepts	928	60.7
Accepts with Concern	303	19.8
Rejects	299	19.5
Total	1530	100.0

Table 8

Other Scheme Members

Other Scheme Members' Views on Increasing the Length of Service from 37 to 40 years

	Frequency	Percent
Strongly Agrees	295	15.8
Agrees	455	24.4
Accepts	609	32.7
Accepts with Concern	96	5.2
Does Not Disagree	283	15.2
Disagrees	123	6.6
Misunderstands	1	.1
Total	1862	100.0

Table 9

Other Scheme Members' Aggregate Views on Increasing the Length of Service from 37 to 40 years

	Frequency	Percent
Accepts	1359	73.0
Accepts with Concern	379	20.4
Rejects	123	6.6
Misunderstands	1	.1
Total	1862	100.0

Table 10

Comments Made with Regards to this Proposal

12.4% of Active Members raised concerns about maturity at ordination making it difficult to accrue the full length of service, and 6.7% believe this should apply to new members only.

Proposal 2: ***Do you have views on our proposal to change the policy of matching yearly increases in pensions payment to increases in stipends?***

Active Members

Active Members' Views on Ceasing the Policy of making Annual Increases Above those Required by the Policy

	Frequency	Percent
Strongly Agrees	148	9.7
Agrees	235	15.4
Accepts	444	29.0
Accepts with Concern	48	3.1
Does Not Disagree	146	9.5
Disagrees	501	32.7
Misunderstands	8	.5
Total	1530	100.0

Table 11

Active Members' Aggregate Views on Ceasing the Policy of making Annual Increases Above those Required by the Policy

	Frequency	Percent
Accepts	827	54.1
Accepts with Concern	194	12.7
Rejects	501	32.7
Misunderstands	8	.5
Total	1530	100.0

Table 12

Other Scheme Members

Other Scheme Members' Views on Ceasing the Policy of making Annual Increases Above those Required by the Policy

	Frequency	Percent
Strongly Agrees	247	13.3
Agrees	306	16.4
Accepts	661	35.5
Accepts with Concern	49	2.6
Does Not Disagree	257	13.8
Disagrees	329	17.7
Misunderstands	13	.7
Total	1862	100.0

Table 13

Other Scheme Members' Aggregate Views on Ceasing the Policy of making Annual Increases Above those Required by the Policy

	Frequency	Percent
Accepts	1214	65.2
Accepts with Concern	306	16.4
Rejects	329	17.7
Misunderstands	13	.7
Total	1862	100.0

Table 14

Comments Made on this Proposal

Very few respondents made further comments on this proposal. 1.5% of Active Members noted that this would be an acceptable change in policy should the RPI be set at a reasonable level. Comments by Other Scheme Members are so negligible that they have not been reported.

Proposal 3: ***Do you have views on our proposal to change the limit on pension increases from the retail price index up to 5% to the retail price index up to 3.5% for future service?***

Active Members

Active Members' Views on Reducing LPI to 3.5%

	Frequency	Percent
Strongly Agrees	88	5.8
Agrees	157	10.3
Accepts	359	23.5
Accepts with Concern	152	9.9
Does Not Disagree	141	9.2
Disagrees	621	40.6
Misunderstands	12	.8
Total	1530	100.0

Table 15

Active Members' Aggregated Views on Reducing LPI to 3.5%

	Frequency	Percent
Accepts	604	39.5
Accepts with Concern	293	19.2
Rejects	621	40.6
Misunderstands	12	.8
Total	1530	100.0

Table 16

Other Scheme Members

Other Scheme Members' Views on Reducing LPI to 3.5%

	Frequency	Percent
Strongly Agrees	214	11.5
Agrees	267	14.3
Accepts	600	32.2
Accepts with Concern	129	6.9
Does Not Disagree	286	15.4
Disagrees	355	19.1
Misunderstands	11	.6
Total	1862	100.0

Table 17

Other Scheme Members' Aggregated Views on Reducing LPI to 3.5%

	Frequency	Percent
Accepts	1081	58.1
Accepts with Concern	415	22.3
Rejects	355	19.1
Misunderstands	11	.6
Total	1862	100.0

Table 18

Comments Made on this Proposal

The most common concern with this proposal was that of rising inflation. In fact, 24.6% of Active Members, and 12.5% of Other Scheme Members, commented on this.

Other Issues Commented on by the Respondents

This section summarises some of the other comments made by respondents that were not directly related to the three proposals under consideration. These were mostly, though not exclusively, extrapolated from answers to question 5 (Appendix 1). It must be noted, however, that there is no possibility of either positive or negative comment being counted twice.

The tables in this section include a "weighted percent" column. This is calculated on the total number of respondents who made any comment in reference to that theme rather than on the total number of responses received. [7]

Housing

Overall, 19.4% of Active Members and 8.7% of Other Scheme Members expressed some degree of concern with regards to retirement housing.

Active Members' Comments on Housing

		Frequency	Percent	Weighted Percent
	Costly	27	1.8	9.1
	£36k Insufficient	15	1.0	5.1
	Removal Costs	3	.2	1.0
	Major Concern	252	16.5	84.8
	Total	297	19.4	100.0
	Missing	1233	80.6	
Total		1530	100.0	

Table 19

Other Scheme Members' Comments on Housing

		Frequency	Percent	Weighted Percent
	Costly	115	6.2	71.0
	£36k Insufficient	5	.3	3.1
	Removal Costs	1	.1	.6
	Affects Mortgages	14	.8	8.6
	Council Tax	27	1.5	16.7
	Total	162	8.7	100.0
	Missing	1700	91.3	
Total		1862	100.0	

Table 20

Pension Age

The current policy on pension age was commented upon by 6.2% of Active Members and 4.0% of Other Members of the scheme: in both cases, the majority suggest increasing the Pension Age (74.7% and 74.7% weighted percentage respectively).

[7] In other words, assuming 20 out of 100 respondents commented on a variable "test" which included two voices only ("x" and "y") and that 15 respondents commented on "x" (x=15) and 5 respondents commented on "y" (y=5) then a weighted percentage of 75% respondents mentioned "x" (15/20), however, this only corresponds to 15% of the respondents as a whole (15/100).

Active Members' Comments on Pension Age

	Frequency	Percent	Weighted Percent
>65	71	4.6	74.7
"Old" Clergy	24	1.6	25.3
Total	95	6.2	100.0
Missing	1435	93.8	
Total	1530	100.0	

Table 21

Other Scheme Members' Comments on Pension Age

	Frequency	Percent	Weighted Percent
>65	56	3.0	74.7
"Old" Clergy	8	.4	10.7
Life of Mission	11	.6	14.7
Total	75	4.0	100.0
Missing	1787	96.0	
Total	1862	100.0	

Table 22

Moreover, 2.7% of Active Members and 1.1% of Other Scheme Members commented on the disincentive these changes represented to entering into stipendiary ministry.

General Financial Concerns

11.0% of Active Members and 6.3% of Other Members expressed some financial concerns.[8]

Active Members' Overall Financial Concerns

	Frequency	Percent	Weighted Percent
Low Stipends	120	7.8	71.4
Inability to Save	39	2.5	23.2
Financial Advice	9	.6	5.4
Total	168	11.0	100.0
Missing	1362	89.0	
Total	1530	100.0	

Table 23

Other Scheme Members' Overall Financial Concerns

	Frequency	Percent	Weighted Percent
Low Pension	28	1.5	23.9
Inability to Save	45	2.4	38.5
Financial Advice	12	.6	10.3
Request > Fees	20	1.1	17.1
Request Review of Fees	12	.6	10.3
Total	117	6.3	100.0
Missing	1745	93.7	
Total	1862	100.0	

Table 24

Moreover, 6.9% of Active Members and 7.7% of Other Members make some comments on the current pension scheme[9].

[8] Fees refers to the difference between Diocesan policies in relation to fees payments for retired clergy. Education refers to expressing desire for better financial education, for clergy, on making personal provisions for their pensions.

[9] Please note, however, that Other Scheme Members also comment on the effect of the proposals on the pension scheme as one can see in the first two voices of Table 20 (though the number of respondents who made such comments is negligible)

Active Members' Comments on the Pension Scheme

		Frequency	Percent	Weighted Percent
	Low Pension	86	5.6	81.9
	Generous	19	1.2	18.1
	Total	105	6.9	100.0
	Missing	1425	93.1	
Total		1530	100.0	

Table 25

Other Scheme Members' Comments on the Pension Scheme

		Frequency	Percent	Weighted Percent
	Will Be Too Low	12	.6	8.4
	Ease of Living Assured	13	.7	9.1
	Generous	55	3.0	38.5
	> Representation	1	.1	.7
	Early Retirement	17	.9	11.9
	Means Tested	45	2.4	31.5
	Total	143	7.7	100.0
	Missing	1719	92.3	
Total		1862	100.0	

Table 26

Comments on the Consultation

The quality of the consultation was commented on favourably by 8.1% of active members and 12.0% of the other members of the scheme.[10]

Active Members' Overall Comments on the Consultation Document

		Frequency	Percent	Weighted Percent
	Necessary Changes	31	2.0	19.0
	Clear Document	14	.9	8.6
	Thank You	110	7.2	67.5
	Pointless Exercise	8	.5	4.9
	Total	163	10.7	100.0
	Missing	1367	89.3	
Total		1530	100.0	

Table 27

Other Scheme Members' Overall Comments on the Consultation Document

		Frequency	Percent	Weighted Percent
	Necessary Changes	8	.4	3.1
	Clear Document	21	1.1	8.2
	Thank You	203	10.9	79.6
	Not Understood	1	.1	.4
	Pointless Exercise	5	.3	2.0
	Widows Not Mentioned	17	.9	6.7
	Total	255	13.7	100.0
	Missing	1607	86.3	
Total		1862	100.0	

Table 28

[10] This percentage represent the values of the voices “Clear Document” and “Thank You” which refers both to the work done and for the consultation itself.

However, though not coded, some respondents commented on the financial pressures placed on parishes as the following quote exemplifies: "Parishes are already at financial breaking point. To ask for more money to fund pensions may be the last straw." [11]

These comments were often coupled by the suggestion of introducing a Contributory Pension Scheme which were made by 3.1% of Active Members and 1.7% of Other Scheme Members.

Anna Aprea

Ministry Division

4th June 2007

[11] Verbatim quotation, Respondent 161 amongst Active Members' group.

~Appendix 1~

Church of England Funded Pensions Scheme

Consulting you about changes to the scheme

We are consulting with all 25,000 members of the scheme. So that we can analyse your responses effectively please use this response sheet making sure that your comments are written clearly and legibly in black ink in the spaces provided.

The consultation closes on 31 May 2007

1. Are you still earning pension entitlement under the scheme? Yes / No

2. Do you have views on our proposal to change the length of service that clergy will need to do to earn a full pension from 37 years to 40 years, for future service?

3. Do you have views on our proposal to change the policy of matching yearly increases in pensions payment to increases in stipends?

4. Do you have views on our proposal to change the limit on pension increases from the retail price index up to 5% to the retail price index up to 3.5% for future service?

5. Other comments:

Please return to:

The Secretary to DRACSC
Church House
Great Smith Street
London SW1P 3AZ

For general enquiries on pensions, please ring 020 7898 1802 or email pensionenquiries@c-of-e.org.uk

~Appendix 2~

The Consultation

All members who currently belong to the Church of England's Pension Scheme, including those who have deferred pension payments, were sent a four question open-ended questionnaire (Appendix 1) to ascertain their views with regards to the three proposed changes.

Active members, those still accruing pension benefits, were distinguished from all other scheme members through the colour of the paper on which the questionnaire was printed. The questionnaire was mailed to each of the schemes members with a copy of the Consultation Document in which the new proposals were presented. The consultation period is due to finish on the 31st of May 2007.

Methodology

The open-ended nature of the questionnaire implied the need to devise a coding scheme that would provide an intelligible overview on the concerns expressed by the Scheme's members.

It must be noted that the majority of the responses received were hard to code. Many respondents refrained from taking a position and simply asked questions or made comments not directly relating to the question asked. In those instances the coder had to interpret whether the comments made implied a disagreement with the policy or whether they were accepting the proposals while expressing some concerns (which were then coded in the "comment variables").

Consequently, the three main questions were coded by using a seven category coding scheme presented below. The conceptualisation of these categories was meticulous to ensure that a reliable coding scheme be applied throughout the analysis.

1	Strongly Agrees	**Any use of terms such as "I support" "I agree" "Good Idea" "Is right" and includes no negative comment**
2	Agrees	*A positive comment though less categorical in its support for the proposal. Some key words such as "It is fair" "reasonable" "acceptable" "sensible" "ok" "I am content" "Seems right" "Seems best way" "equitable" "it is fine" fairly represent this category.*

3	Accepts	*Comments such as "I understand" "it is necessary" "inevitable" "No" "Yes (if alone)"[12] "disappointing but…" "unfortunate" "have no comment" or leaves the Box Blank. More generally these comments may express some reservation but imply an acceptance of the policy changes should they be implemented.*
4	Accepts w. Concern	*Does not explicitly disagree with the proposal but expresses some concern for the effects the proposal might have on the benefits of the scheme. These concerns were coded in the supplementary variables created and discussed, in greater detail, in the "full report".* [13]
5	Does Not Disagree	*These respondents express a personal comment which is either too ambiguous or unrelated to the proposal ("Other Themes" variables provide further information). Moreover, they may ask questions or state they have: "No views", "Cannot comment"*
6	Disagrees	*Comments such as "Surely this penalises…", "Yes" followed by a negative comment, "Not fair" "a betrayal"*
7	Question not understood	*Used if the answer or comment given by the respondent reveals a misunderstanding of the question or consultation document.*

For ease of interpretation, these categories were further recoded into **aggregate variables** based on three categories only. These are: "Accepts" (which combines categories 1, 2 and 3), "Accepts with Concern" (which combines categories 4 and 5) and finally "Opposed" (which represents category 6).

It is important to note that while "no comment" was coded as Accepts (3), "cannot comment" and "no views" were coded as Not disagree (5). It was, in fact, felt that not commenting, just as leaving the box blank, implied an acceptance of the proposals made, while having no views and feeling that one could not comment implied a higher degree of detachment from the issues raised in the consultation.

Moreover, very ambiguous responses also were coded as does "Does Not Disagree" (5) if other responses did not provide further clues into that respondent's views on the three consultation's proposal.

Though one may argue that this could amount to biasing data in favour of the consultation, it is important to highlight that once these responses have been computed in the recoded aggregate variables, these would not be included in the "Accepts" category, which is the one of main interest to the consultation.

[12] The reason for this apparent contradiction is that some respondents used "No" to indicate they had no views, which was interpreted as an acceptance of the changes, and others replied "Yes" only which was interpreted as an acknowledgment of acceptance, or agreement, with the proposal.
[13] For a more detailed discussion of all the coding categories used, and their conceptualisation, please refer to the Full Report which will be made available on request later in June.

The same coding scheme is used both on the Consultation group (the active Scheme members) and the Control Group (all other Scheme members).