

## **GENERAL SYNOD**

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### **FEBRUARY GROUP OF SESSIONS 2022**

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#### **THIRD NOTICE PAPER**

- ITEM 6: RACIAL JUSTICE: INTRODUCTION TO THE ARCHBISHOPS' RACIAL JUSTICE COMMISSION, AND UPDATE TO SYNOD ON RACIAL JUSTICE WORK**
- ITEM 11: REPORT OF THE REVIEW OF CLERGY REMUNERATION**
- ITEM 15: REPORT BY THE GOVERNANCE REVIEW GROUP**
- ITEM 18: PERSECUTED CHURCH IN THE WORLD**
- ITEM 19: SEE OF CANTERBURY: MEMBERSHIP OF THE CROWN NOMINATIONS COMMISSION**

#### **CONTINGENCY BUSINESS:**

**REVIEW OF QUALIFICATIONS FOR PCC MEMBERSHIP AND ENTRY ON THE CHURCH ELECTORAL ROLL**

## Financial statement pursuant to Standing Order 108

1. Financial Statements under Standing Order 108 set out the estimated financial effect of implementing recommendations of reports and taking forward motions if they are passed by the Synod. In most cases figures provided are approximate, recognising the inherent uncertainty in estimating various factors. Members are asked to take this statement into account alongside non-financial factors when considering these items of business.
2. Estimates of the financial implications of any amendments proposed by Members will be provided in a subsequent notice paper or in an oral statement from a member of the Archbishops' Council's Finance Committee who is a General Synod member (usually the Chair).
3. As agreed with the Business Committee in 2016, an item is included in this memorandum if (i) the estimated financial impact (either actual costs or savings or the opportunity cost or saving - e.g. the cost of clergy or staff time) is £20,000 or more or (ii) it is thought a statement on the estimated financial impact of a proposal is thought likely to be helpful to members. These thresholds are applied to the whole of any time-limited project or a period of three years for on-going activities.
4. If the cost of work on any motion, if passed, would fall to the Archbishops' Council, it would need to be met from within the Council's 2022 budget envelope which Synod approved at the November 2021 Group of Sessions, or subsequent budgets. For any work not already scheduled, the relevant Director, in consultation with others, would consider whether other work of similar cost should be dropped or postponed, or if additional, unbudgeted, staff resource could be provided by securing funding from another source or drawing on reserves. Estimates of staff and clergy time are usually an opportunity cost, illustrating the cost of other work that would need to be dropped or deferred. If it is not possible to drop or defer sufficient other work, there would be an impact on the timescale for delivery of the requested work.
5. All costs are estimated at 2022 levels unless otherwise stated. Costs include relevant salaries, employers' national insurance and pension contributions.

**ITEM 6: RACIAL JUSTICE: INTRODUCTION TO THE ARCHBISHOPS' RACIAL JUSTICE COMMISSION, AND UPDATE TO SYNOD ON RACIAL JUSTICE WORK**

6. The result on the vote on whether or not to take note of GS2243 does not mandate the Archbishops' Council or other bodies within the Church to take any or all of the specific proposals forward. But the debate will be a valuable opportunity to hear views on the issues and proposed actions, some of which will require significant financial investment if they are to be achieved.
7. To enable this work to proceed a business case for significant investment is being prepared for submission to the Triennium Funding Working Group<sup>1</sup>. As noted in GS2243, this funding request – which is in the process of being finalised – includes a potential resource allocation for dioceses (estimated as £7.6m - p20/21) and £483,000 for the development and delivery of an online module for an anti-racism learning programme for clergy (p9). The Archbishops' Council has agreed to allocate up to £1m in 2022 to commence some of the work listed in Annexe 1 of the Synod paper.

**ITEM 11: REPORT OF THE REVIEW OF CLERGY REMUNERATION**

8. The result on the vote on whether or not to take note of GS2247 does not mandate the dioceses, Archbishops' Council, Church of England Pensions Board or other bodies within the Church to take any or all of the specific proposals forward. But the debate will be a valuable opportunity to hear views on the issues and proposed actions.
9. When decisions are considered on whether, and if so how and when, to implement each of the recommendations the relevant bodies will need to consider the financial implications. For matters within the Archbishops' Council's remit, it will be advised by its Remuneration and Conditions of Service Committee (RACSC).

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<sup>1</sup> This Group - the membership of which is drawn from the House of Bishops, Archbishops' Council and Church Commissioners – will make recommendations to the Council and Commissioners on how the funds that can be made available from the Church of England's endowment managed by the Church Commissioners can be most effectively deployed in 2023-25.

10. The aim of the report was that the proposals should not, when taken altogether, increase the total cost of the overall remuneration package with savings in some areas giving scope for improvements elsewhere.
11. Additional resources would be needed to explore options to help clergy to get onto the housing ladder, set up a diversity fund, explore a financial wellbeing check and remove the clergy pension scheme's maximum accrual limits. Conversely the proposals to adopt a general policy of increasing the National Minimum Stipend with reference to CPIH rather than RPI (which the Archbishops' Council has implemented) and for post-retirement pension increase in respect of future accrual from a date to be determined from RPI to CPIH should be financially positive.
12. As stated in paragraph 17 of GS2247, a technical assessment of the potential financial implications of the pensions recommendations, produced by the Pensions Board is attached as **Annex 1**.

#### **ITEM 15: REPORT BY THE GOVERNANCE REVIEW GROUP**

13. If the proposals in the motion, including the stakeholder engagement envisaged in part (b), were taken forward, significant programme resource would be required to manage both the legislative and operational implications over a period of up to 3 years (assuming full implementation in 2024). The estimated cost of this resource - which would include a full-time programme director, project management and administrative support, together with technical resources including communications, HR, Finance and Legal – is around £1.2m in 2023-2024. This estimate will be refined in a scoping exercise, the inputs to which will include the stakeholder engagement work. A funding request for this work has been made to the Triennium Funding Working Group.
14. This work would also require input from existing staffs. It is not possible to estimate this realistically in full until the scoping exercise and stakeholder engagement work referred to above has been completed. This will give greater clarity on the precise nature of the proposals to be taken forward.
15. Specifically, based on previous experience of the legislative process, the cost of staff time to prepare draft legislation for First Consideration in the light of the stakeholder engagement as envisaged in part (c) of

the motion is estimated at £35,000. If the Measure proceeds, the cost of staff time to complete all the subsequent Synodical and Parliamentary stages is estimated at a further £65,000, three quarters of which would be incurred at the revision stage.

**ITEM 18: PERSECUTED CHURCH IN THE WORLD**

16. If the motion is passed, each Church of England diocese may wish to consider whether to offer any support – financial or otherwise - to link dioceses where the church is facing persecution and what form it might take in addition to what they may already offer. Such discussions would need to take account of the needs and resources of the dioceses concerned as well as any financial cost of support offered.

**ITEM 19: SEE OF CANTERBURY: MEMBERSHIP OF THE CROWN NOMINATIONS COMMISSION**

17. If the motion is passed, changes to the relevant Standing Orders would need to be developed to put the proposals into effect. The cost of the associated staff time to see the necessary changes through to conclusion is estimated at £12,000.
18. If the proposals are brought into effect then the increase in the number of Anglican Communion representatives on the Canterbury Crown Nominations Committee would be expected to result in an increase in travel, accommodation and subsistence costs on every occasion the See of Canterbury falls vacant. This cost, which would largely depend on which provinces the representatives came from, would be met from the Archbishops' Council's budget.

**CONTINGENCY BUSINESS:**

**REVIEW OF QUALIFICATIONS FOR PCC MEMBERSHIP AND ENTRY ON THE CHURCH ELECTORAL ROLL**

19. If the motion is passed, draft legislation would need to be developed to put the proposals into effect. The cost of staff time to draft legislation and see the necessary changes through to conclusion is estimated at £15,000.

Canon John Spence: Chair, Archbishops' Council Finance Committee  
February 2022

## **Technical note on the Clergy Remuneration Review Recommendations relating to Pensions**

Note prepared by the Church of England Pensions Board

### **Introduction**

1. This note has been prepared by the Church of England Pensions Board as Trustee and Administrator of the Church of England Funded Pension Scheme (CEFPS). It provides a technical commentary on those aspects of the Clergy Remuneration Review report (GS Misc 1298) relating to pensions only.
2. The CEFPS is governed by the Scheme Rules. General Synod approves any proposed changes to these Rules. Where changes relate to matters of remuneration policy, Synod is advised by the Archbishops' Council (and its Remuneration and Conditions of Service Committee) to set policy. The Rule changes to effect the policy are drawn up by the Pensions Board as Trustee, but can only be made by the Board if Synod agrees them. Pensions law requires consultation of scheme members in relation to certain types of changes.
3. Note that the CEFPS provide benefits in respect of service from 1998 onwards. For service prior to 1998, pension was accrued in an unfunded pension scheme where the costs are borne by the Church Commissioners.

### **Remuneration Review Proposals affecting pensions**

4. Where the Review's recommendations have an impact on pensions matters, these are described below in terms of the impact on i) members and beneficiaries, ii) scheme funders including the dioceses, and iii) administration. This is a technical assessment which does not comment on the desirability of any such change.<sup>2</sup>

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<sup>2</sup> Note that estimates in this paper provided by the Actuary (LCP) are approximate. They are subject to the Board's full review of assumptions as part of the triennial valuation process. Estimates have been made for changes in isolation and are not additive.

## Recommendations relating the to the scheme Rules

5. *Recommendation 14*: removing the maximum accrual limits in the Rules. At present there are different caps the number of years of service a member can accrue for pension purposes, depending on the period of time such service covers.<sup>3</sup> This change would remove those caps.

Implications for members	Implications for funders	Implications for administration
<p>Favourable for members with very long service as it means a higher CEFPS pension. (Such members, by definition, are unlikely to have any accrued pension outside the Church.)</p> <p>The members will understand their benefits more easily.</p>	<p>The scheme actuary has estimated this would increase future service contribution rates (paid for by Responsible Bodies), in the order of 0.9% of pensionable stipends.</p>	<p>Favourable: a simplification which makes calculations more straightforward.</p>

6. *Recommendation 15*: changing the basis of inflationary pension increases from the Retail Price Index (RPI) to the Consumer Price Index adjusted for housing costs (CPIH), and subject to continued caps. It should be noted that any such change could only apply to pension accrued *after* the effective date of the Rule change, with pensions accrued prior to the effective date continuing to increase by the prevailing RPI. A statutory consultation of members would be required before any such change of this type is made.

Implications for members	Implications for funders	Implications for administration
<p>Unfavourable: the change is likely to result in lower increases for the portion of pension accrued after the date of the Rule change up until 2030</p>	<p>Given that CPIH is aligned with RPI from 2030, and the majority of the pension increases in payment on benefits being earned now will be after 2030, the saving from such a change would be very small (an initial c.0.25% reduction on the future service contribution rate).<sup>4</sup></p>	<p>Unfavourable: this would add further complexity and cost to pension administration e.g. in explaining pension increases to members and pensioners.</p>

<sup>3</sup> Varying between 37 years (for service prior to 1 January 2008) and 41.5 years (for service post 1 January 2011).

<sup>4</sup> This estimate assumes that RPI and CPIH remain 0.8% apart until 2030, when they converge to the same level. The savings are sensitive to future differences in the RPI and CPIH inflation indices, which could be larger or smaller than assumed. A prolonged period of high inflation would further reduce any saving, as increases to pensions in payment are capped under scheme rules (which would mean this change would have less noticeable effect).

7. *Recommendation 16*: amending the definition used for ill-health retirement within CEFPS, such that the requirement that the applicant is incapable of “any other remunerated work” is removed. This would harmonise the CEFPS with the equivalent rule in the pre-1998 scheme.

Implications for members	Implications for funders	Implications for administration
Favourable: the change would consistently adopt the less onerous of the two definitions and means there is no distinction by date of entering service.	Marginally adverse: while in theory, a less onerous definition may lead to more ill health retirements; in practice the number and cost are unlikely to be material, and may be offset by savings on long term sickness.	Favourable: this represents simplification as a single harmonised definition would be used by the Pensions Board and its medical advisers.

### Recommendations not relating the to the scheme Rules

8. It is noted that the Archbishops’ Council adopted *recommendation 10* at its December 2021 meeting, and thus will use the CPIH measure of inflation rather than the RPI measure when considering future increases in the National Minimum Stipend. Starting pensions are referenced to the NMS, therefore the new assumption will be considered as part of the current triennial valuation process. All other things being equal, it would be expected to generate a decrease in the future service costs (c.1.8%). Note that where actual stipend increases diverge from the stated policy, this is accounted for at each triennial valuation.

### Longer term proposals

9. The Review proposes further work on an Income Protection Policy (*recommendation 19*) and Collective Money Purchase pension schemes (*recommendation 17*). Until such time as this work results in firm proposals, there are no specific implications on members or funding bodies.