

GENERAL SYNOD**Private Member's Motion on Clergy Pensions****Summary**

My motion asks: 'That this Synod request the Archbishops' Council, the Pensions Board, and the Church Commissioners to work together to find a way to make use of the whole range of assets and resources across the Church to enable the restoration of the clergy pension to its pre-2011 benefit level as soon as possible.'

Background

1. In 2007 there was a real concern about the sustainability of the then arrangement for clergy pensions, and the pressure that contributions to the pension scheme were putting on diocesan finances. The actuarial concerns about pension scheme contributions were not limited to the Church of England.
2. Paper GS 1660 proposed a change in the 'accrual rate', so that the full pension was only gained after 40 years' service (FTE) rather than 37 years.
3. Annex one contains the answer to Dr Neill Burgess' question at the July 2023 group of sessions.
4. The Synod motion passed at the time ran as follows:

"That this Synod (a) endorse the recommendations contained in paragraph 52 of GS 1660, and (b) request the Archbishops' Council, in the event that the pensions climate improves sufficiently, to bring forward recommendations to the Synod, after consultation with the Pensions Board and the Church Commissioners, with a view to restoring pension levels."

In other words, the intention was always for this to be a temporary, and not permanent, change. That commitment appears not to have been followed up.

Further Changes

5. In 2011, there was a further change in the accrual rate, from 40 to 41.5 years of service, and a significant change of the pension from 2/3 of the National Minimum Stipend to 1/2 of NMS. This change was introduced in the light of Government changes to the state pension, and the possibility of employers contracting into the State Earnings Related Pension, soon know as the State Second Pension (S2P) which was intended as a top-up to the state pension.
6. However, the S2P was abolished in 2016 when the Government introduced a revised, flat-rate, state pension. The benefits in the Clergy Scheme remained unchanged at 1/2 NMS.
7. The net results of the change in the accrual rate, and the reduction of the pension as a proportion of NMS, mean that the clergy pension is now 1/3 less than it would have been had these changes not been made.
8. Full details of the changes, and the wider pension context, are set out in the supporting Technical Note from the Pensions Board.
9. This loss of pension has been further compounded by the steady erosion of the NMS compared with average pay. We are now in a situation where many retired clergy are facing situations of genuine hardship.

Current situation

10. During this time, the investment scene has changed markedly, including for pension funds. As a result of improved investment performance, the Pension Fund has recently reduced the demand it makes on dioceses for contributions. This reduction is approximately the amount that would be required to restore the clergy pension to its previous level, and fulfil the commitment made by Synod in 2007 (see Question 111 in Synod Questions paper, February 2022).

11. Given the continued pressures on diocesan finances (which vary from one diocese to another), it would not be appropriate to ask for additional contributions from them to restore the pension to its previous value. However, there has been a significant growth in the overall assets of the Church as a whole. In answer to Q16 in February 2022, John Spence replied:

“According to Diocesan Boards of Finance’s financial statements, at the end of 2019 the total of unrestricted funds held by dioceses was £798m, £184m of which was held in cash. Since then, diocesan reserves have been adversely impacted by the pandemic, although deficits have been mitigated to some extent by sustainability fund grants totalling £24m across 2020 and 2021 combined.

According to data compiled for Parish Finance Statistics 2020 which will soon be made available on the Church of England website, at the end of 2020 the estimated aggregate of parishes’ restricted and unrestricted reserves were £1,545m, of which £824m was held in cash and £721m in investments.”

12. In addition, the Church Commissioners’ assets have grown by an average of 10% per year in real terms over the last 30 years. The annual cost of restoring the clergy pension would be 0.25% of their asset base.

13. In the Report of the Clergy Remuneration Review GS 2247 February 2022, the Chair of the Remuneration and Conditions of Service Committee (RACSC) Bishop Richard Jackson commented:

“We are aware that the value of the package has declined in real terms over the last 20 years, as a result of stipends not being able to keep up with inflation and changes to the pension scheme. This emphasises the importance of ensuring that future aspirations are realistic and affordable.”

14. He went on to report, from the survey that had been conducted, that 38% of clergy in service, nearly 2/5 of the whole ordained ‘workforce’, are either finding it ‘quite or very difficult to manage’, or are ‘just getting by’. This figure will certainly be higher for retired clergy who are reliant on the clergy pension.

15. We no longer face the challenging pension situation of 2007. The overall investment assets of the Church have grown significantly. We have failed to honour our own commitment to restore the clergy pension. And in the meantime, retired clergy are facing real hardship. This is a change we can make; it is one we should make; and given the overall position it is now one we must make.

Revd Dr Ian Paul, Southwell and Nottingham 229
Member of the Archbishops’ Council
October 2023

Supplementary information for Q232 from Dr Neill Burgess

Table 1: CEFPS contributions total

This table covers all Responsible Bodies, of which diocesan contributions would account for roughly 92% of the total in any given year.

| Year | Future service Contributions (£000) | Deficit Reduction Contributions (£000) | Total: Future Service + Deficit Contributions (£000) |
|---------|--|---|---|
| 2011 | 41,924 | 26,233 | 68,157 |
| 2012 | 42,710 | 26,727 | 69,437 |
| 2013 | 43,253 | 27,022 | 70,275 |
| 2014 | 43,615 | 27,290 | 70,905 |
| 2015 | 48,440 | 26,468 | 74,908 |
| 2016 | 46,472 | 26,637 | 73,109 |
| 2017 | 46,115 | 26,893 | 73,008 |
| 2018 | 50,593 | 22,727 | 73,320 |
| 2019 | 51,102 | 22,983 | 74,085 |
| 2020 | 51,981 | 23,322 | 75,303 |
| 2021 | 61,909 | 14,091 | 76,000 |
| 2022 * | 61,039 | 8,169 | 69,208 |
| 2023 ** | 56,000 | 0 | 56,000 |

Notes: Data drawn from CEFPS Annual Report and Accounts, except *draft 2022 accounts, and **2003 figures are an estimate assuming a contribution rate of 28% of pensionable stipends of approximately £200m. Table excludes any additional contributions made by Responsible Bodies for purposes of augmenting a member's benefit at retirement.

Table 2: CEFPS Contribution rates over time

The contribution rates have changed over time, usually as a result of a triennial valuation. This table sets out the applicable contribution rates over the same time period as set out in the Schedules of Contributions.

NB contributions are expressed as a percentage of the "Pensionable Stipend" which is derived from the previous year's National Minimum Stipend. (Hence applying these percentages to actual stipend payments would overstate the contribution.)

| From | To | Total Contribution Rate % | Future Service Contribution Rate % | Deficit Contribution Rate % |
|------------|------------|---------------------------------|--|-----------------------------------|
| 01/04/2008 | 31/12/2009 | 39.7 | 34.5 | 5.2 |
| 01/01/2010 | 31/12/2010 | 45.0 | 34.5 | 10.5 |
| 01/01/2011 | 31/12/2014 | 38.2 | 23.5 | 14.7 |
| 01/01/2015 | 31/12/2017 | 39.9 | 25.8 | 14.1 |
| 01/01/2018 | 31/12/2020 | 39.9 | 28.0 | 11.9 |
| 01/01/2021 | 31/03/2022 | 39.9 | 32.8 | 7.1 |
| 01/04/2022 | 31/12/2022 | 36.0 | 32.8 | 3.2 |
| 01/01/2023 | | 28.0 | 28.0 | - |