THE CHURCH OF ENGLAND
PENSIONS BOARD

Clergy Pensions Review

Frequently Asked Questions

In February 2024, the General Synod requested a review of clergy stipends and pensions. Since then, significant work has taken place to analyse ways in which clergy pensions could be improved. This work is still ongoing, with the expectation that specific proposals will be discussed at Synod in July.

Foreword, from Clive Mather, Chair of the Church of England Pensions Board

The vote at General Synod in February 2024 was compelling. The motion – as passed unanimously in that group of sessions – is one that calls for significant and sustainable improvements to stipends and pensions, to enable clergy to thrive in their ministry. This was a motion, that I whole-heartedly supported as Chair of the Pensions Board and voted for as a member of Synod.

I, and my colleagues, recognise the understandable appetite for news about the work on the pensions review. This Q&A answers the common questions we have received.

The Board's role is that of Trustee and Administrator of the clergy scheme. The Board is also a resource and centre of expertise on pensions matters for the Church. Our formal role in the review is therefore to provide analysis, advice, and expertise to the Church to ensure that any proposed changes are costed, legal and workable. We do so in full support of the intent behind the February 2024 motion and honouring Synod's previous commitments.

Accordingly, we have been working hard since February 2024 to provide the Archbishops' Council with tangible and practical analysis so that it can make appropriate proposals to Synod in July 2025.

The circumstances are now more favourable than they have been over the last 15 years. Most importantly, the funding deficit in the scheme was eliminated from January 2023 as a result of strong investment performance, faithful support from dioceses, and changes in market conditions. This provides an essential bedrock as we examine how best to support our clergy, to foster vocations and take forward the work of the Church.

We are approaching such an opportunity gladly but with appropriate caution. As I write, global stock markets are in turmoil, and there are real financial pressures facing many parts of the Church, including its clergy. The steps we take together must therefore be both meaningful and sustainable for current and future generations. The work is continuing at pace, with eyes on the July Synod.

Yours
Clive

This Q&A addresses the most common questions we have received, with the latest information available as at the start of April 2025.

We have sought to keep our answers simple – even though there is a lot of complexity and nuance around how pensions work. We will update and add to this Q&A to reflect further questions as they are received.

BACKGROUND

What does the review cover?

The review responds to serious concerns raised by clergy about stipend and pension levels. Specific concerns include how far the real value of stipends have fallen, especially in the recent period of high inflation. Stipends falling behind inflation affects the value of starting pensions.

The 2024 motion also asked that specific proposals are put forward to improve pensions, and particularly to address the impact of changes to benefits in 2011.

The full details of the Synod motion are set out in *appendix 1,* with more details on the motion in the papers from the February group of sessions available here: General Synod February 2024 | The Church of England

When will the review report back?

We expect a report back to Synod in July, including proposals for policy change.

The review is being conducted in parallel with the diocesan finance review, the triennium funding process, and the statutory valuation of the Church of England Funded Pension Scheme (which covers clergy pensions earned since 1998). Doing all these in parallel gives the best chance of a coherent set of measures.

Who is involved in setting clergy pensions?

Clergy pensions are usually made up of benefits within two schemes:

- *The Church of England Funded Pensions Scheme (CEFPS),* which covers all clergy pension benefits accrued since 1 January 1998. The Pensions Board is the Trustee and Administrator of the CEFPS and administers pensions based on the Rules of the scheme, as agreed by General Synod, and in line with legislation. The Board is responsible for conducting a statutory valuation every three years. The cost of contributions into the scheme are met by Responsible Bodies (i.e. dioceses and other employers) on behalf of clergy. Clergy aren't required to make contributions from their stipend into the scheme.

- *The Church of England Pensions Measures scheme,* which covers service prior to 1 January 1998. This scheme is the responsibility of the Church Commissioners and the funds to pay pensions come from the Church's endowment. The Board administers this scheme, alongside the CEFPS, to give clergy one view of their pension.

Any changes to clergy pension benefits must be agreed by the General Synod. The Archbishops' Council would bring such policy changes to Synod, on behalf of the Responsible Bodies (including Diocesan Boards of Finance).

RECENT CHANGES TO PENSIONS

What happened in 2011?

In the aftermath of the Global Financial Crisis of 2008, serious challenges emerged within CEFPS. The scheme was in a deficit position, which meant the assets in the scheme were not sufficient to pay pension promises already built up. As a result, Responsible Bodies were asked to pay significant contributions into the scheme, at a rate that was not sustainable for the long term. So, the Archbishops' Council created a Pensions Task Group to recommend changes to make the scheme affordable again. The recommended changes were:

- Increasing how long it takes to build up a full pension under the scheme to 41.5 years from 40 (which itself was an increase in 2008 from 37).
- A reduction in the starting pension from targeting 2/3 of the National Minimum Stipend to 1/2. (The level of 2/3 had been in place since the mid-1980s.)
- Amending the 'Normal Retirement Age' from 65 to 68.
- Contracting back into the State Second Pension (S2P – later the 'Additional State Pension') so that members would earn a higher state pension entitlement, to help offset the reductions in the generosity of the CEFPS.

These changes were approved by General Synod and came into effect from 1 January 2011.[1]

It is important to note that the changes affected pensions earned only after this date, and any period of service prior to 1 January 2011 earned pensions based on the previous Rules.[2]

When General Synod agreed the changes, it also requested that if the pensions climate improved, proposals should be brought back to Synod with a view to making the clergy pension more generous again.

Has the pensions climate changed?

Yes, but only very recently. Recent changes in the financial climate, along with strong investment performance across the last decade, and contributions paid by the Responsible Bodies, means the scheme is now in good shape. Deficit payments finally stopped from 1 January 2023. The scheme is now fully funded (i.e. it has enough assets to pay pension promises as they fall due). This is an essential precondition for considering options to improve benefits.

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[1] The estimated effect of the changes are further explored in this research note, which was published by the Pensions Board in 2023: 202310-clergy-pensions-research-note-final.pdf

[2] When someone comes to take their pension, clergy typically have different parts of their pensionable service that are governed by different rules.

How have contributions into the scheme changed?
The improvement in the funding position and financial conditions has allowed us to reduce contributions from Responsible Bodies substantially in the last few years (from around 40% to 22%), while maintaining benefits. This change been made in several steps, helping to mitigate the impact of financial challenges experienced by parishes and dioceses coming out of the pandemic, and also other cost increases (e.g. the recent increase in Employer National Insurance contributions).

We are mindful of feedback from Responsible Bodies over the last two valuations, that they have limited ability to cope with increases to the cost of pensions. We therefore want to minimise the risk of increases again, as happened after the 2008 global financial crisis. This is also why it is important to consider benefit improvements in the round alongside the valuation and triennium funding process.

PENSION INCREASES

I heard that the Board has made discretionary increases to pensions already. Is that true?
Yes, it is true. Under the Rules of the scheme, pensions in payment are guaranteed to increase each year in line with inflation, up to 5% for pension earned before 2008, and up to 3.5% for later years.

The Rules also give the Pensions Board some discretion to increase pensions in payment by more than these thresholds, in some circumstances. In the recent period of high inflation, the Board used its discretion to award inflation-matching increases to pensioners. The Church Commissioners likewise did the same for pre-1998 pensions.

The Board has also awarded extra one-off uplifts to the pensions of those who retired in 2023/4 and 2024/5. This is to smooth the effect of timing differences caused by using the previous year's NMS, which means that pensions for new retirees might not otherwise benefit from either the recent catch-up increases in the NMS or the higher level of pension increases.

We must be careful though that by using this discretion, we are not making unauthorised changes to benefits which could result in substantial tax charges.

JULY'S SYNOD

Will proposals for improvement definitely be put to Synod in July?
That is the aim – as confirmed by Carl Hughes, Chair of the Archbishops' Council Finance Committee in the *Church Times* on 14 March. The agenda for July Synod will be determined by General Synod's Business Committee. The Board is working with the Archbishops' Council to provide the analysis on which these proposals will be based.

Will improving stipends also improve pensions?
Yes. The starting pension is based on the previous year's National Minimum Stipend (NMS), so to the extent that the NMS increases, starting pensions do too.

Proposals to increase stipends from April 2026 have been developed as part of the Diocesan Finances Review, led by the Archbishops' Council. These proposals are being considered by the Triennium Funding Working Group through their work to develop national Church spending plans for 2026-28.

You can still view the most recent update to Synod on this work here: General Synod February 2025 | Tuesday 11 Afternoon (see item 11, or refer to gs-2380-diocesan-finances-review-update.pdf.). One of the recommendations is that NMS would increase from April 2026 to £32,500. Starting pensions would also be based on the current year's NMS rather than the previous year's NMS.

If both recommendations are agreed - along with above inflation increases already agreed to help NMS catch up against the recent period of high inflation - starting pensions from April 2026 would be about 13% higher before any other changes.

What other proposals might be made to improve pensions? Will the pension go back to two thirds?

We know this is the question to which most members will want to know the answer. However, at the time of writing, the analysis is on-going, and it is too early to say. This is because the analysis needs to be consistent with the results coming from the statutory scheme valuation (which looks at the funding position of the scheme, potential risks, and the cost of paying future benefits). The valuation is based on the position of the scheme as at 31 December 2024 and we are working hard, with our advisers, to conclude this work quickly and thoroughly.

The Archbishops' Council will then consider the analysis and determine what is put to Synod.

When would any changes come into effect?

This depends on the nature of the changes. Where a simple rule change is needed (e.g. to ensure pensions are calculated based on the current year's NMS), it might be possible to put this in place by April 2026, with approval of Synod. Other types of changes might take longer, e.g. coming into effect from April 2027. There are also some types of changes which would require consultation with scheme members.

Will any changes to pensions be made retrospectively?

While it's too early to say, this is being looked at. Making changes to pensions already earned is considerably more complicated than making changes for future service – for instance it could potentially lead to clergy (including pensioners) facing unexpected, and possibly substantial tax bills. This means the analysis needs to be considered and thorough.

How does the review relate to the pension scheme statutory valuation that is happening shortly?

We undertake a valuation of the Church of England Funded Pensions Scheme every three years, and the latest valuation is now underway. The valuation process considers whether the scheme has or is likely to have sufficient assets to pay pension promises and sets future contribution rates. This is helpful for the pensions review, as it helps with looking at the impact of any proposals and means that Synod's decisions in July can be incorporated into the valuation.

MY CIRCUMSTANCES

I don't know what pension I am currently due under the scheme; how do I find out?

You can find out more about your pension through your PensionsOnline account: CofE PensionsOnline - Home. The next round of annual benefit statements will be prepared in late June/early July, although they won't take account of any changes agreed at July's Synod, not least as – as indicated above – it is unlikely any changes will be implemented at this stage.

If you need help to access your account, please email pensions@churchofengland.org or ring our helpline on 020 7898 1802 (which is open Monday to Friday from 9-5pm).

Appendix 1

The full text of the Synod motion, passed unanimously in February 2024

(a) "the Archbishops' Council, the Pensions Board, and the Church Commissioners to work together with dioceses to explore ways in which the level of clergy pensions and stipends might be improved in a sustainable manner with reference being made to the impact of changes to clergy pension benefits and the National Minimum Stipend (NMS) since 1998, including the change in level of the pension benefit from 2/3 of NMS prior to 2011; and.

(b) in doing this work to have regard to the findings of the Clergy Remuneration Review (GS 2247 and GS Misc 1298) and in particular the policy that the National Minimum Stipend should, in future, on average, increase in line with inflation (as measured by CPIH[3]) subject to three yearly reviews and the need to review this position if high levels of inflation establish themselves and

(c) request the Archbishops' Council, the Pensions Board and the Church Commissioners to consider what steps may be taken to remedy the fall in the real value of pensions for clergy retiring since 2021, and to avoid such a fall reoccurring in any future period of high inflation."

[3] The Consumer Prices Index, including owner occupiers' housing costs (CPIH).