

Paper G2

Dealing with the Ministers' Pension Fund deficit

Finance Committee and Pensions Committee

Basic information

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| Contact name and email address | Ian Hardie ianzhardie@googlemail.com |
| Action required | Decision |
| Draft resolution(s) | <p>Assembly Executive, acting on behalf of General Assembly:</p> <ul style="list-style-type: none">• expresses its deep gratitude to all the synod trusts which have, according to their means and where appropriate with the approval of their synod meetings, committed to contributing to the new Ministers' Pension Support Restricted Fund• approves the recommendation of the directors of the URC Trust Ltd to contribute from its general reserves to this restricted fund £500,000 in 2023 and £500,000 in 2024• approves the intention of the directors of the URC Trust should there continue to be a deficit in the Ministers' Pension Fund at the 2024 valuation to contribute to the restricted fund from its general reserves £500,000 in 2025, £600,000 in 2026 and £600,000 in 2027 or such smaller amounts as are agreed at the time• approves the intention of the directors of the URC Trust should there continue to be a deficit in the Ministers' Pension Fund at the 2027 valuation to contribute to the restricted fund from its general reserves £600,000 in 2028, £600,000 in 2029 and £600,000 in 2030 or such smaller amounts as are agreed at the time• authorises the URC Trust to amend the guarantee it gives the Ministers' Pension Trust to cover up to £24 million of contributions due under the Schedule of Contributions or in respect of any "Section 75" debts arising from future cessation of participation in the scheme by other scheme employers. |

Summary of content

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| Subject and aim(s) | Assembly Executive is asked to approve proposed contributions from the URC Trust's general reserves to help address the deficit in the Ministers' Pension Fund and to authorise the URC Trust directors to amend the current guarantee given to the Ministers' Pension Trust Ltd. |
| Main points | <p>The 2021 actuarial valuation of the Ministers' Pension Fund will reveal a substantial deficit. This is primarily because of the extra prudence now required by the Pensions Regulator.</p> <p>Steps are being taken by synods and synod trusts to help address this problem. The URC Trust directors believe a contribution to the solution needs to come from the money it holds in general reserves on behalf of General Assembly. They recommend and seek approval for payments in 2023 and 2024 and possible further payments in the years 2025 to 2030 subject to certain conditions still being met.</p> <p>They also seek approval for enhancing the current guarantee given by the URC Trust to the Ministers' Pension Trust Ltd.</p> |
| Previous relevant documents | <p>General Assembly 2021 Paper G3 'URC Pension Schemes – current challenges – a family problem requiring a family solution'.</p> <p>Paper titled 'URC Pension Schemes – facing up to some serious challenges' written for General Assembly 2020 and considered by Mission Council in July 2020.</p> <p>March 2021 Mission Council Paper titled 'URC pension schemes – dealing with current challenges – a conversation in progress'.</p> |
| Consultation has taken place with... | Officers of synods and synod trusts, directors of the Ministers' Pension Trust and the URC Trust. |

Summary of impact

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| Financial | Up to £4.5 million will be taken from the general reserves of the URC Trust over the next ten years to help deal with the Ministers' Pension Fund deficit. £1 million will be committed before the next actuarial valuation of the Fund's assets and liabilities. Amounts to be contributed thereafter will depend on that and subsequent valuations. |
| External (e.g. ecumenical) | None. |

Valuation(s) of the Ministers' Pension Fund

1. The actuarial valuation of the Ministers' Pension Fund ('MPF') as at 1 January 2021 is well advanced. The intention is that this valuation will be finalised, including agreement of the schedule of deficit and future service contributions, by the end of this calendar year.
2. If the 2021 valuation had been carried out on the same basis as the one in 2018, it would have produced a small surplus – much better than expected, because of the good performance of the assets over the last three years.
3. However, for reasons explained in previous papers, the Pensions Regulator ('tPR') now requires a much more prudent valuation of the liabilities of the MPF. The result of that is there will be a sizeable deficit, estimated at £24 million. Further prudence will be required in each of the valuations in 2024, 2027 and 2030. We are still estimating that the total amount of required extra funding over the next ten years will be around £45 million.

Consultation across the URC family

4. It was clear at the time of the 2018 valuation of the MPF that this challenge was coming, though its size was not then clear. An Integrated Risk Management (IRM) project group was set up consisting of representatives of the Ministers' Pension Trust ('MPT') and of the Church. This group started by trying to establish the size of the challenge and the issues that needed to be dealt with. The group then began a consultation across the URC family, which has been ongoing for over two years.
5. This consultation has been primarily with the officers of the synod trusts and the URC Trust, as the legal owners of the financial resources of, respectively, the synods and the General Assembly.
6. On behalf of the IRM group, as well as the Finance and Pensions Committees, it is important to express thanks for the willingness of all these bodies to recognise that this is a challenge that requires a URC family solution and to indicate willingness to make sacrificial offers of financial assistance in proportion to the resources available to them. By June this year, we had received provisional offers from each of the synod trusts and the URC Trust which more than covered the required £45 million over the next ten years. We intend to take up all the offers so that we have flexibility further down the line to discuss with the trustees of the MPF whether there is scope for them following a more high-risk investment strategy than tPR would expect, backed by some of this money.

Turning provisional offers into firm commitments

7. We are expecting the directors of each of the synod trusts to pass resolutions this autumn to turn their provisional offers into firm commitments. In most cases, this will be after asking their synod meetings to approve those provisional commitments. I will update the Assembly Executive at its meeting as to how matters have developed during October and November.
8. In a similar way, the Assembly Executive on behalf of General Assembly is now asked to approve the proposed contributions from the URC Trust as recommended by its directors. The URC Trust has already contributed £1.5

million from its reserves towards deficit reduction during 2019. As the (separate) Budget paper reports, it is expected that the M&M Fund will need to meet a very large increase in future service contributions from its reserves at least in 2022. Nonetheless, the directors of the URC Trust recognise that the Church at denominational level needs to be seen to contribute to the family solution as well as the synod trusts. Accordingly, approval is sought for future pension contributions from the general reserves of the URC Trust which might total £4.5 million by 2030.

9. All the money to be contributed by synod trusts and the URC Trust will be held in a new restricted fund separate from the M&M Fund and will be applied (at least initially) to meet the deficit contribution payments to be agreed towards the end of this year between the Church and the MPT in a Schedule of Contributions. Records of contributors and contributions will be kept in such a way that, if all of the restricted fund proves no longer to be required for ministers' pension support, it will be possible to return the surplus in proportion to original contributions to the synod trusts and URC Trust or their successors.
10. It is currently anticipated that this restricted fund should have enough money paid into it in any year to more than fund the amount of deficit contributions for the following year in full. A 'pot' of money will therefore build up in this fund over time. This will provide a buffer which will allow time for the URC family to deal with any future shortfall, should one or more of the synod trusts find themselves unable to meet the commitments they have made.

Enhanced Guarantee from the URC Trust Ltd

11. Approval is also being sought for the URC Trust to give an enhanced guarantee to the MPT in relation to the moneys to be promised under the Schedule of Contributions due to be agreed by the end of this year. At present the guarantee is for £16 million. However, with the assurance that is provided by the money which will be sitting in the new restricted fund, the URC Trust believes it would be possible to increase the amount guaranteed to £24 million (the projected size of the deficit after the 2021 valuation).
12. There are some potential liabilities of the Church to the MPF which are not detailed in the Schedule of Contributions. This relates, in particular, to the other two participating employers in the MPF – Churches Together in Britain and Ireland and Northern College. If either of those bodies were no longer to employ any members of the MPF they would become liable for a "Section 75" debt – essentially, their share of the current deficit on the MPF measured on the solvency basis. If either body incurred such a liability but failed to discharge it, the debt would become a liability of the Church as the principal employer. Such potential section 75 debts are not at present covered by the guarantee.
13. Given that these potential liabilities are small relative to the overall situation and that they are very unlikely to arise, the directors of the URC Trust seek your approval to extend the scope of the guarantee to cover such potential section 75 debts also.

Timetable

14. Once firm commitments are in place from synod trusts and, if you approve, from the URC Trust, it will be possible for the officers of General Assembly to agree the proposed schedule of deficit contributions from 2022 and for the directors of the URC Trust to consider providing the enhanced guarantee to the MPT.

15. All these decisions need to be taken before the 14 December meeting of the MPT at which the 2021 valuation of the MPF and the proposed Schedule of Contributions will be finalised.