Paper G-H 1

Stipendiary Ministry target numbers

Finance and Ministries Committees

Basic information

Contact name and email address	Ian Hardie: ianzhardie@googlemail.com Paul Whittle: moderator@urcscotland.org.uk
Action required	Resolution.
Draft resolution(s)	**Resolution 22** **In view of both the uncertain future impact of the ongoing coronavirus restrictions on the finances of the Church and the likely impact of unprecedented additional pension contributions on the direct cost of stipendiary ministry, General Assembly directs that** • **in preparing the 2022 and 2023 budgets for the Church the Finance Committee and the URC Trust disregard resolution 19 of the 2012 General Assembly; and** • **the Finance and Ministries Committees bring their suggested replacement for the 2012 resolution to the 2023 General Assembly.**

Summary of content

Subject and aim(s)	To remove the existing policy for calculating the target number of stipendiary ministers.
Main points	Since 2012, the target number of stipendiary ministers is to be set so that the direct cost of stipendiary ministry moves in line with trends in the membership of the Church. Although this was intended to keep ministerial numbers in line with M&M contribution levels, in practice this has not happened. (Church membership has reduced far faster than M&M contributions have reduced.) Significantly increased pension costs during the next few years would dramatically cut the target number of ministers from next year, if the 2012 policy remains in place. The above resolution gives time to devise a better solution to the problem the 2012 policy was addressing while avoiding any potential adverse impact on ministerial numbers in the short term.
Previous relevant documents	Resolution 19 of the 2012 General Assembly and related note (2012 Book of Reports, page 252).

	Paragraph 8 of the Finance Committee report to that General Assembly (2012 Book of Reports, page 103). Ministries Committee report on 'Stipendiary minister numbers and deployment' (2016 Book of Reports, pages 154 to161).
Consultation has taken place with...	The URC Trust

Summary of impact

Financial	The resolution is intended to prevent massive (and unanticipated) cuts in the target number of stipendiary ministers due to a financial policy previously agree by General Assembly.
External (e.g. ecumenical)	

1. In 2012, General Assembly adopted resolution 19, which reads "General Assembly directs that for 2013 and until further notice, the target number of stipendiary ministers should be set so that the direct cost of supporting the ministry from the Assembly budget moves in line with the trend in overall membership numbers across the Church."

2. The 2012 Book of Reports reminded General Assembly that, in 2003, it had agreed until further notice that the target number of stipendiary ministers should be changed each year by the same percentage as membership changed. As the trend reduction in membership at that time had been around 3% a year, in practice this meant that planning had been thereafter based on a reduction in the number of stipendiary ministers of 3% a year. Ministries and Finance Committee worked together to estimate future trends, and to ensure the fluctuating number of ministers in service stays broadly in line with the policy. The problem identified with the 2003 resolution was that the direct cost of stipendiary ministry had been rising in light of stipend increases and higher pension contributions. During the same period, although M&M giving per member had increased, the fall in membership averaging 3.5% opened up a growing gap between M&M income and the costs of supporting stipendiary ministers. This led to resolution 19, which was passed by consensus.

3. It is clear from the 2012 Book of Reports that the then Finance Committee believed the resolution revised the Assembly policy on the number of stipendiary ministers "to bring the costs in line with what the local churches feel able to give to M&M". That does not accurately describe what resolution 19 does. It would only have that effect if the movement in M&M contributions and the changes in membership levels were on an identical trajectory.

4. In fact, however, the lack of symmetry between movements in M&M contribution levels and membership numbers, which was noted in the 2012 paper itself, has persisted ever since. Essentially, membership numbers have dropped between 2012 and 2020 by an average of roughly 4.7% each year: but M&M giving has dropped at a much lower rate, averaging 1.4%. If one ignored the pandemic reduced giving in 2020, this latter average would have been 1%.

5. Of course, the financial impact of the pandemic is likely to continue to have an effect on M&M contribution levels for the next year or two at least. However, it is clear that *if* the intention of the 2012 resolution was to keep target ministerial numbers in line with changes in the trend in M&M giving by churches, the chosen 'proxy' for that – ie, membership - was a very imperfect means of doing so.

6. The 2016 General Assembly learned the results of some work undertaken by Ministries and Finance Committee to project both the target number of stipendiary ministers which the 2012 policy indicate could be afforded, and the actual number of stipendiary ministers predicted to be available for service for the years down to 2025. The intention was to enable planning to be done for a few years going forward, which respected the 2012 policy but smoothed its fluctuations in the same way as was done with the 2003 policy. In setting out the resulting figures for the projected target number of ministers, it was explained that the numbers for the most immediate years were offered with greater confidence.

7. Among the assumptions underlying the paper's calculations was "URC membership continues to fall at the average of 3.2% pa seen over the past five years".

8. The 2016 projections anticipated that, in every year down to 2025, the available number of stipendiary ministers would be fewer than the target "affordable" number provided for by the 2012 formula. Consequently, in drawing up the Ministries' budget for each year since, the focus has been on the predicted number of ministers and what they would cost.

9. Irrespective of the intentions of the compilers of the 2016 table, we now know that some of its assumptions have not been borne out in practice. In particular, the outcome noted at paragraph 5 above suggests that if we focus on the <u>wording</u> of the 2012 resolution, the 2016 projections for the target number of ministers <u>overstate</u> what is 'affordable': since the rate of membership decline has been greater than the 3.2% average used in 2016 in every subsequent year. On the other hand, if we look at the <u>apparent intention</u> behind the 2012 resolution to link the change in costs of ministry with the level of M&M contributions, the 2016 projections <u>understate</u> the target number of affordable ministers: since the 3.2% figure used has been greater than the reduction in M&M contributions in all but one of the subsequent years.

10. The 2012 resolution also gives rise to a significant current concern about the use of the total direct costs of ministry to work out the number of ministers which the church can afford. One element of those costs relates to contributions made by the church towards stipendiary ministers' pensions. Throughout the period concerned there have been two types of pension contribution.

11. One has been the cost of deficit recovery contributions in respect of previous service of both current and former ministers. It is anticipated that, in each of the years 2022 to 2026, the Church is likely to pay almost £4.5 million a year more in deficit recovery contributions than in 2020. That would represent a gigantic increase in the direct cost of ministry which, were the 2012 resolution to be applied strictly, implies the need to reduce the target number of ministers drastically from next year.

12. The other type of pension contribution is in respect of future service benefits of current ministers. In the short-term, there will also be problems regarding these contributions in 2022. The Ministers' Penson Fund scheme actuary has recently indicated that these future service contributions will have to rise by around £1.5 million in that year. The amount might fall back to nearer present levels in 2023, if General Assembly resolves in principle to close the existing MPF scheme and the suggested 1 January 2023 timetable can be met. It would seem perverse to further cut the number of ministers in 2022 (which the 2012 resolution would imply) only to be able to afford more ministers in 2023.

13. Accordingly, Ministries and Finance Committees invite General Assembly to pass the resolution set out at the start of this paper which will have the effect of setting aside the 2012 policy which:
    - never did what it was apparently intended to do;
    - is out of line with current practice in calculating the Ministries' budget; and
    - would lead to imminent cuts to the target number of stipendiary ministers in an endeavour to stay within its parameters.

15. Ideally, we would wish to offer a replacement policy immediately. That is not really practical at present. The urgency of the issue has come to our attention very recently, and we have not had time to identify a suitable alternative policy which does not suffer from the deficiencies of the 2003 and 2012 versions. But, even more importantly, the still uncertain impact of the ongoing pandemic on the M&M fund and the possible changes to pension fund costs over the next couple of years make this an unsuitable time to implement a new 'steady-state' policy. The resolution therefore authorises the Finance Committee to manage the budget costs as best it can for the next year or two, on the understanding that a new policy will be brought for consideration by General Assembly in 2023.