

# Paper G1

## URC Pension schemes – dealing with current challenges – a conversation still in progress

Pensions Committee and Finance Committee

### Basic information

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<b>Action required</b>	None at this stage.
<b>Draft resolution(s)</b>	None.

### Summary of content

<b>Subject and aim(s)</b>	The paper provides an update on the complex process of consultation across the URC family that is currently underway.
<b>Main points</b>	This paper is just an update on the ongoing process, so there is nothing new of significance to report at this stage.  A separate paper deals with the future of the two URC pension schemes.
<b>Previous relevant documents</b>	Paper G3 for November 2019 Mission Council. Paper titled 'URC Pension Schemes – facing up to some serious challenges' written for General Assembly 2020 and considered by Mission Council in July 2020. Paper E2 for November 2020 Mission Council.
<b>Consultation has taken place with...</b>	The Integrated Risk Management project group, the directors of the URC Ministers' Pension Trust, and the directors of the synod trusts and the URC Trust.

### Summary of impact

<b>Financial</b>	None at this stage, but will be substantial.
<b>External (e.g. ecumenical)</b>	None.

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- 1 Introduction
- 2 Final Salary Scheme (mainly for lay staff)
- 3 Ministers' Pension Fund

(The subject of future pensions is dealt with in a separate paper.)

### **1. Introduction**

- 1.1 The United Reformed Church has two defined benefit pension schemes where the basis of calculating pensions is predetermined. The URC Ministers' Pension Fund (MPF) covers most ministers and Church Related Community Workers. The URC Final Salary Scheme is mostly for the Church's lay staff. The pension at retirement for the ministers' scheme is based on final stipend and years of service. For the final salary scheme, the pension at retirement is based on the highest 12 months' salary in the three years up to retirement and years of service.
- 1.2 Stipendiary ministers and Church Related Community Workers are not employees but office holders. However, for pensions purposes the treatment is the same. The Church and the members make regular contributions to these pension schemes, and the level of these is set after each actuarial valuation. However, the final cost can only be estimated. The Church as 'employer' or sponsor is legally obliged to provide any further funding that is required.
- 1.3 The corporate trustee of the Ministers' Pension Fund is the URC Ministers Pension Trust Limited (MPT). Its directors are all members of the Church.
- 1.4 The URC Final Salary Scheme is managed by an external body, TPT Retirement Solutions, which acts as trustee. The central URC, in relation to the staff at Church House and at Westminster College, is the principal employer. Most of the synods and Northern College are also participating employers in this scheme.
- 1.5 The significant pension issues and the associated costs facing the Church, which mainly relate to the MPF, were described in the pensions paper written for General Assembly 2020 and considered by the meeting of Mission Council in July 2020. Those issues have not changed materially and they are not all spelt out in detail again here. It remains the case that the Church family is having to deal with these costly issues at a particularly uncertain time for Church finances at every level, as a result of the Covid-19 pandemic.
- 1.6 The purpose of this paper is to update Mission Council on the complex conversations that are in progress across the URC family, and on the likely process and timetable going forwards.

### **2. Final Salary (lay staff) Scheme**

- 2.1 There is nothing new to report on the Final Salary Scheme. The last actuarial valuation as at 30 September 2019 showed a small surplus. The overall costs from January 2021 have stayed more or less the same with the saving on deficit contributions off-set by increases to the future service contributions.

### **3. URC Ministers' Pension Fund**

- 3.1 Actuarial valuation as at 1 January 2021 and Long-term Funding Objective.

Work on the latest actuarial valuation of the MPF has just begun. 1 January 2021 was a good day for the value of the assets of the MPF. The estimated value of the liabilities of the Fund will not be available for some time. It is possible that the 2021 valuation will be slightly

better than we have been estimating, but this is unlikely to have a major effect on the overall funding situation.

We know that the basis of the 2021 valuation will have to be much more prudent than the 2018 valuation, which means that there will be a sizeable deficit. We also know that subsequent valuations will have to take account of the assumed de-risking of the assets of the MPF over the period to the date of the Long-Term Funding Objective which is estimated to be only nine or ten years away. That will result in further deficits, because of the lower returns expected on the less risky assets.

**Our best estimate for the total cost over this period remains about £45 million.**

## 3.2 Consultation with synod trusts and the URC Trust.

Apart from the funds held by local churches, the financial assets of the United Reformed Church are held by 13 synod trusts on behalf of their synods and by the URC Trust on behalf of General Assembly. That is why, up to now, the main focus of our consultation has been with the directors of those trust companies.

Meetings with representatives of all these trusts were held in November and December 2019. Since then, the consultation has proceeded through a series of written briefings including questions to which the trusts have responded.

There is now a shared understanding of the nature and size of the challenge that we face and there is a general willingness to help deal with it. We recognise that the directors of the synod trusts have a difficult job juggling their responsibilities towards their local churches, their synod, and the denomination. This job is even more difficult in the context of the pandemic, with all its risks and uncertainties.

Factors that make the consultation challenging are that each synod operates in a different way; the accounts of each synod trust are presented differently; and there is great disparity in the wealth of the different synods. As a result, it is a lot easier to agree that the burden needs to be shared fairly than to define what “fairly” means. Also, the consultation is taking place under the restrictions of lockdown.

Our intention over the next few months is to hold a series of virtual meetings with the directors of individual trusts in February / March; with representatives of groups of synod trusts together in April / May; and then with representatives of all the trusts together. Our goal is to reach agreement on at least the framework of an agreement by June or July 2021. If this is achieved, it will be possible to take any necessary decisions at synod meetings and at Mission Council in the autumn of 2021. Legally, the Church is required to sign an agreement with the trustee of the MPF about dealing with the 2021 deficit by March 2022.