

Paper G1

URC Pension Schemes – Integrated Risk Management Project – Update

Pensions Executive and Finance Committee

Basic information

Contact names and email addresses	The Revd John Piper john.piper30@ntlworld.com Dr Chris Evans chris.evans@thestyle.net
Action required	None – for information only at this stage.
Draft resolution(s)	None.

Summary of content

Subject and aim(s)	This is a brief update only. The main aim is to describe the consultation process that is underway. It is hoped that a more substantial paper can be presented to the November 2020 meeting of Mission Council in November 2020.
Main points	<p>The Pensions Regulator has decided not to re-open the 2018 valuation of the Ministers Pensions Fund.</p> <p>Regarding the issues that ideally need to be resolved by the end of 2020: initial consultations with the synod trusts and the URC Trust took place in November / December 2019.</p> <p>Regarding the future pensions benefits in both URC pension schemes: a group has been set up to take this work forward, including, at an early stage, seeking appropriate and necessary professional advice.</p> <p>Regarding long-term funding requirements: we await further guidance from the Pensions Regulator, expected later in 2020.</p>
Previous relevant documents	Paper G3 at Mission Council, November 2019.
Consultation has taken place with...	Representatives of the URC Trust and synod trusts, and the directors of the trustee of the Ministers Pensions Scheme.

Summary of impact

Financial	None at the moment.
External (e.g. ecumenical)	

1. Valuation of the Ministers Pensions Fund as at 1 January 2018

- 1.1 It was reported to Mission Council in November 2019 that:
- i) The actuarial valuation of the Ministers Pensions Fund (MPF) as at 1 January 2018 showed a deficit of £3.9 million on assets of £140 million.
 - ii) The Pensions Regulator had expressed serious concerns about the basis of this valuation – in particular, the decision to reduce the annual deficit contributions by around £0.5 million from 2019.
 - iii) The Pensions Regulator has the power to require that the 2018 valuation be re-calculated on a more prudent basis. This would create a larger deficit which would require an immediate increase in contributions.
 - iv) The URC Trust had made a payment of £1.5 million to the MPF in October 2019 which had the effect of reversing the reduction in the annual deficit contributions for the three years up to the next triennial valuation.
- 1.2 The Pensions Regulator has now written to the URC Ministers Pensions Trust (URC MPT), as trustee of the Ministers Pensions Scheme, saying that it does not currently intend to require that the 2018 valuation be revisited. However, the Regulator has made clear that the 2021 valuation will have to be on a much more prudent basis.

2 Current URC consultation process

- 2.1 The Integrated Risk Management (IRM) project group was set up by the URC MPT and the URC Pensions Executive to co-ordinate the work required to address the significant issues facing both the Ministers Pensions Scheme and the Final Salary (Lay Staff) Pensions Scheme. The IRM group is, therefore, accountable to both the URC MPT as trustee of the Ministers Pensions Scheme and to the URC as employer. The group comprises Chris Evans (convenor of the Pensions Executive), Ian Hardie (URC Treasurer), Bridget Micklem (now Chair of the URC MPT board), John Piper (URC Deputy Treasurer) and Lyndon Thomas. All but Ian are directors of URC MPT. Ian is a director of the URC Trust.
- 2.2 It is likely that a number of significant decisions will have to be taken as the result of this consultation process. Those decisions will have to be taken by councils of the Church as well as by various trust bodies. The IRM group decided to start by talking to representatives of the synod trusts and the URC Trust.
- 2.3 In November /December 2019, consultations were held with representatives of the synod trusts and with the board of the URC Trust. Attendance from the synods was uneven, but the IRM group met with 50 synod trustees and officers in five regional meetings as well as with the board of the URC Trust. The content of these meetings was similar to the content of Paper G3 presented to the last meeting of Mission Council. However, the main focus was on the three issues on which we need agreement, at least in principle, by the end of 2020 (i.e. before the next valuation of the MPF):
- i) The need for much stronger legal backing for the URC's commitment to the MPF
 - ii) The need to plan for a likely deficit of around £20 million on the MPF as at 1 January 2021, resulting from a much more prudent basis of valuation.
 - iii) The need for a plan to deal with the effect on the value of the assets of the MPF of any future shock on the financial markets.

- 2.4 Following these meetings, all synod officers and trustees and the directors of the URC Trust were sent copies of the presentation, a summary of the main issues, and a list of questions from the IRM group to those trustees and officers from the IRM group. Initial responses to these questions were requested by the end of January 2020 – recognising that the time allowed was very short and, therefore, these would only be initial responses. They would not involve any definite commitments by anyone.
- 2.5 The responses received at the time of writing this paper demonstrate a wide range of views about the best way to proceed and about what each of the trusts might be able and willing to do. The next task of the IRM group will be to facilitate a conversation between representatives of all the trusts to see if, together, we can develop a planned way forward which is acceptable to the participating bodies and also to the URC MPT as trustee. It is likely that the next meeting(s) with representatives of the synod trusts and the URC Trust will be in April or May 2020.
- 2.6 The rate of progress after that will depend on how long it takes to reach consensus on the best way forward. Ideally, the IRM group would like to be able to report to the November 2020 meeting of Mission Council that an agreement in principle on these matters has been reached. This would enable the trustee of the Ministers Pensions Scheme to consider and hopefully approve this draft agreement at its board meeting in December; synod trusts that wanted to could then take their commitments to the 2021 synod meetings; and General Assembly in July 2021 could approve the commitments made by the URC Trust and could note with thanks that an overall agreement in principle had been reached. This is a tight timetable, but it is necessary in order to meet the timetable for the 2021 valuation of the Ministers Pensions Fund.

3 Future pensions schemes – benefits and costs

- 3.1 Any changes to the existing pensions arrangements can only affect future accruals of pensions benefits. People who have already retired will be unaffected. The benefits already earned by active members for their past service will also be unaffected – they are a legal entitlement.
- 3.2 Any changes to the existing URC pensions schemes will be complex; will affect different members in different ways, depending on their circumstances; and those effects cannot be precisely determined. However, the cost of the current schemes has risen substantially, and continues to do so – mainly because of the historically low interest rates that show no sign of changing. There is also the possibility that further significant increases in cost will be caused by the Pensions Regulator’s long term funding requirements. This raises questions about value for money as well as affordability. It is necessary to at least consider alternatives.
- 3.3 The Pensions Executive has set up a working group to take this work forward. There are any number of possible alternatives to the current pensions schemes. Exploring any one of these in detail could cost a six-figure sum of money. Initially, the focus of this work will be on developing frameworks for good Defined Contribution schemes that could replace the two existing Defined Benefit

Schemes. This will enable a clear comparison to be made. Other options could be explored later, if that is the wish of the Church. An early task will be to seek some initial expert professional advice. It will be important to ensure that an informed and appropriately broad conversation about this matter takes place before General Assembly is asked to consider any proposals for change.

4 Long-term funding requirements

- 4.1 A Pensions Schemes Bill has, again, been introduced to Parliament in the recent Queen's speech. This legislation will introduce the requirement for all schemes to have a long-term funding and investment strategy. After this Bill has passed into law, the Pensions Regulator must then issue its new guidance to bring these new requirements into effect. The first of what are likely to be several consultation documents is due to be published in March 2020.
- 4.2 It is, therefore, not possible to make any real progress on this issue until further guidance and information has been issued by the Pensions Regulator.

5 The Final Salary (or Lay Staff) Pensions Scheme

- 5.1 The Lay Staff Pensions Scheme is administered by an external trustee, TPT Retirement Solutions. TPT has always taken a prudent approach to its scheme valuations and to its funding approach. This means that some of the issues that currently apply to the MPF do not apply to the Lay Staff Scheme.
- 5.2 A valuation of this Scheme is currently being carried out as at 30 September 2019. Partly because of the capital injected into this scheme by the Church in 2017 and 2018, we do not expect this valuation to give rise to a significant deficit.
- 5.3 The other issues affecting the Ministers Pensions Scheme may also affect the Lay Staff Scheme, though the amounts involved will be smaller.

6 Declaration of interest

- 6.1 A current member of the Pensions Executive is a non-executive director of The Pensions Regulator. This person has taken no part in the preparation of this paper nor, more generally, in this consultation process.