

C. of E. Clergy Pensions

Last February General Synod voted in favour of cutting the value of clergy pensions. This is a far-reaching decision with possible consequences beyond the immediate changes which gained approval. What is being proposed is a raid on the pension fund to pay for the current costs of running the Church. The Church Commissioners will be able to remove capital from pre-1998 pension liabilities to pay for "mission".

The current pension rules

- Each year of service counts for one 37th of a pension
- A full pension is two-thirds of the National Minimum Stipend (NMS)
- A lump sum of three times the current annual pension is paid on retirement.
- The current pension after 37 years is £12,040
- After retirement the pension increases each year. The current rules state that this will be in line with the Retail Price Index but capped if RPI goes above 5%. The rules also give discretion to give higher increases. Until February it had been the Church's stated objective that the increase should match the increase in the NMS.

The new rules (as set out in GS 1645

<http://www.cofe.anglican.org/about/gensynod/agendas/feb2007.html>)

- **From January 2008 each year served will count for one 40th of a pension**
- **The pension paid on retirement will still be two-thirds of the NMS, in proportion to the number of years worked**
- **The lump sum payable on retirement remains at three times the earned pension**
- **Post retirement increases will no longer match rises in the NMS, but will rise in line with RPI but capped if inflation should rise above 3.5%. This is the most damaging change and a direct reversal of previous policy. It also fails to recognise RPI as a measure of national general inflation, not a measure of inflation affecting clergy pensioners who on retirement are taking on housing costs**

Who will this effect?

- All clergy, whether retired or on stipend
- Years worked up to the end of 2007 will still earn one 37th of the pension, but future years of service will only earn one 40th. Someone ordained in 1988 and due to retire in 2018 will receive 20/37 plus 10/40 which is 0.79 of the full pension, under present rules a 30 year ministry would result in 0.81 of the full pension. The new rules will reduce the lump sum payable at retirement in the same way.
- Annual increases in retirement will be less. If the proposed rules had been in place 10 years ago, a person who retired 10 years ago would now be receiving over 10% less than under the existing rules. In the meantime the maximum contribution of retired clergy to their housing costs has increased from 25% of pension from all sources, to 30% since 2003. This is a cost-cutting exercise
- The Church will be able to reduce future contributions to the pension fund (for pensions earned after 1997) thus reducing the costs of clergy to parishes
- The Church Commissioners (responsible for pensions earned up to the end of 1997) will save £180 m. By breaking the link with the NMS for post-retirement pension increases the Church Commissioners' liabilities are hugely reduced. They will be able to take £180 m. away from pension liabilities, **this remember is pensions already earned by clergy as deferred stipend**, and use it for other purposes.

What happens next?

New legislation to make this happen will come before General Synod in July 2007. Pensions Board scheme members are currently being consulted for their views, the Pensions Board has already had to re-issue one of its original tables because it contained mis-information, these need to be in by May 31. The latest triennial actuarial review is not yet available and yet this decision is being rushed through between February and July of this year – the biggest change in clergy pension arrangements for decades. It can only be stopped by massive pressure from the members of the scheme on General Synod members before July, retired members are not even represented in Synod.

Why these damaging changes?

- Pressure from the Pensions Regulator on the Church to put in sufficient money to fund pension commitments and remove the current deficit
- Lack of available funds from the Church Commissioners to help in this situation

- To enable money to be released for the current work of the Church
- Increased clergy longevity
- Affordability by parishes and dioceses

What should be our responses?

- Pre-1998 pensions are only one call on the funds of the Church Commissioners and yet these reductions in pension have been put forward without looking for other possible cuts in the spending of the Commissioners
- The 2nd Pensions Report to the Archbishops Council (June 2006) stated “reducing the pension liabilities of the Church Commissioners by a capital value of around £180 million would enable the Commissioners to increase their annual distributions for non-pension purposes by about £4.4 million”, this would be annualised. It could not be clearer that a major purpose of this decision is to take money which had been allocated for pensions and use it for the current and future work of the Church. It ignores the fact that retired clergy are part of the mission of the church, and that commitments made in the past are now being abandoned. The report which went to February Synod included a recommendation that more people be attracted into the ordained ministry. If we evidently cannot afford the ones we already have then it has to be assumed that the proposed cuts to pensions are to fund these extra clergy.
- Many retired clergy struggle to make ends meet on the current level of pension, a full pension may be in the top 20% of pensions in the country but the number retiring on a full pension is diminishing and not many of the other people entering into retirement are taking on housing costs as clergy are.
- The report to the February Synod acknowledged the evidence that clergy pensioners are affected by higher rates of consumer price inflation than the general population – but then dismissed this in one short paragraph. As people age they become more dependent on employing others both for care and DIY, it should be made possible for clergy pensioners to do this from pension rather than suggest they resort to clergy charities to enable them to have a decent level of existence.
- It is an attractive proposal to release money for mission, but should the retired clergy be paying for that mission rather than the whole Church?

If this goes through what might happen next?

- Decoupling pension increases from NMS will allow for future increases in stipend to enable the implementation at a later date of a contributory, or money-purchase pension scheme for clergy
- It will also enable stipend increases to encourage serving clergy to enter the property market earlier in ministry to provide for their retirement housing, thus lessening pressure on Charm. These two things cannot happen whilst the present rules are in place without the increased costs also feeding through into pensions.

Amicus strongly believes that the current proposals renege on commitments made to clergy in the recent past and that both this and the use of deferred stipend (future pensions) for other areas of the Church’s work are immoral

What should you do?

- **Respond to the consultation using information above**
- **E-mail Shaun Farrell (pensions@cepb.c-of-e.org.uk), secretary of the Pensions Board, with your views, ask also why it was not possible to wait for the triennial actuarial review result.**
- **Lobby your General Synod members in person and in writing before the vote in July**
- **Raise the issue in deanery chapters and synods and encourage lay-people also to respond**
- **Write to the Church press**
- **Use the opportunity to recruit new members to Amicus to enable a stronger dialogue between the union and the Church of England**