

## Southern Synod Participation in Meeting the URC Ministers Defined Benefit Pension Fund Deficit

This paper is presented on behalf of the group (John Denison, Catherine Kingdom, John Ellis and Linda Austin) tasked with representing Southern Synod in the discussions concerning the Ministers' Pension Fund deficit.

### A. Reminder:

1) March 2021 Synod Together Meeting:

The Synod Trust and Synod Council recommended to Synod Together:

"Based on the January 2021 Integrated Risk Management (IRM) project group briefing papers and the Synod Treasurer's report, it was agreed to bring the following recommendations to the Synod Together meeting on 13th March, recognising the potential impact this will have on Southern Synod's mission in the future.

To continue discussions with the IRM Group with a view to Southern Synod initially contributing up to £3.6 million.

To continue discussions with regard to the contribution of 50% of proceeds of redundant church buildings with a review in 2026"

Synod Together:

Endorsed the position of the Trustees and the Synod Council with a view to participating in meeting the deficit in the Ministers' Pension Fund.

2) URC General Assembly 2021 passed:

a) Resolution 20

"General Assembly, recognising that the significant changes to the legal and regulatory framework for defined benefit pension schemes are making the two current URC pension schemes disproportionately expensive for the benefits they deliver, agrees in principle to the closure to future accruals of both the Ministers' Pension Fund and the Final Salary Pension Scheme."

b) Resolution 21

"General Assembly acknowledges the careful work that has already been done on these complex and sensitive matters, authorises further work to be done on developing new pensions arrangements for office Paper G4 United Reformed Church – General Assembly, July 2021 holders and staff, with the aim of presenting detailed options to Mission Council in November 2021, and then final proposals to General Assembly 2022, for implementation no sooner than January 2023."

**B. Meetings 18th March and 28th June with Ian Hardie (URC Treasurer) and John Piper (URC Deputy Treasurer)**

a) 18th March – Linda Austin, John Ellis, Catherine Kingdom and John Denison

There was a general recognition of the difficulties faced and an agreement Southern Synod should be an active participant in finding a solution to the deficit and that any changes to the scheme should reflect the need to keep faith with our ministers.

John Piper and Ian Hardie were holding discussions with the three “wealthiest” synods, who are likely to be requested to commit to contributions of £8-£10 million each.

After IH and JP had left the Southern Synod representatives discussed the meeting and agreed it had been very helpful. The Southern Synod contribution and how it may be phased was discussed. It was agreed that we continue with the £3.6M figure over 5 years as that number has been discussed already with an additional £500K a year for 10 years. This would result in contributions of £1.22M for 5 years and then £500k thereafter with a total of £8.6M. Whether the balance was funded from reserves or property sales would be dependent on future events.

b) 28th June - John Denison and Catherine Kingdom and representatives of other URC Synods meeting with John Piper and Ian Hardie. Discussions included a Briefing Paper dated May 2021

I. Briefing Paper (synopsis)

The formal actuarial valuation of the Ministers’ Pension Fund (MPF) as at 1 January 2021 is underway. It is estimated that the total challenge facing the Church between now and 2030 is around £45 million.

Provisional offers from the thirteen synods and the URC Trust total just over £50 million with £34.5 million to be contributed by 2026, the deadline for dealing with the 2021 deficit. These provisional offers will need to be finalised and turned into firm commitments in due course.

The URC Trust:

The URC Trust paid £1.5 million into the MPF in 2019 in order to avoid the possibility of a more “prudent” (i.e., cautious) revaluation as at 2018 being imposed by the Pensions Regulator. This £1.5 million is being treated as a contribution towards the £45 million target. The Trust anticipates making further contributions, in addition to its normal annual contributions, of £6.0 million by 2030.

The very large increase in MPF future service contributions in 2022 is likely to cause a deficit on the Ministry and Mission Fund in that year of at least £1.5 million. This will have to be covered from the reserves of the URC Trust. Although not part of the £45 million, this payment does need to be recognised as a contribution by the URC Trust to the overall cost of the Church’s pensions provisions.

### Achieving fairness

Early in this consultation process we all agreed that this pensions challenge should be shared in a way that all parties would accept as being fair. However, there was also early consensus about the fact that there is no formulaic way of defining “fairness”, given the different circumstances, policies, and accounting practices in each of the trusts.

### The role of the URC Trust

The URC Trust will act as recipient of the synods’ contributions towards the pension deficit. These funds will be paid to the Pension Fund as required with any excess being returned to the synods.

The Southern Synod representatives in discussion, following the March meeting felt that the Synod is in the position to offer a £8.6 million contribution towards the deficit. In the light of offers emerging from other Synods, this has been scaled back to £8.0 million and forms part of the in-principle joint synods’ offer of £50.0 million. Given the major uncertainties around all the numbers when predictions are made many years ahead, it is desirable to have an aggregate offer above the current target of £45m. It is easier to reduce contributions later if they are not needed and, as noted above, any final surplus once the Final Benefit schemes are eventually wound up would be returned to synods.

## **C. Next Step – Funding the £8.0 million and recommendation to Synod Together Meeting 9th October 2021.**

### **i. Funding:**

Synod Together, highlighted above, has agreed discussions on £3.6 million from the General Purposes Fund and 50% from sale of redundant church buildings over the period to 2030.

The Synod group believes that provided the outstanding issues concerning the holding of funds and what type of commitment is required by the regulator are concluded to all the synods’ satisfaction, the £3.6 million should be now earmarked for contribution towards reducing deficit in the Ministers’ Pension Fund.

With regards to the balance of £4.4 million the proceeds of the sale of the Leatherhead site for £3.8 million and other likely sales this year will provide a significant cushion for the Synod to commit to the whole £8.0 million. The use of these funds relieves any future stress on the uncertainty of receipt of sale proceeds to cover our commitment.

Contributions to the deficit would be scheduled:

2022 - £2.0 million

2023 & 2024 - £1.5 million each year

2025 – 2030 - £500,000 each year

ii. Proposed Resolution / Recommendation to Synod Together meeting to be held on 9th October 2021:

The joint meeting of the Synod Trust and Synod Council held on 11th August 2021 recommends to the Synod Together Meeting to be held on 9th October 2021 the following Resolution:

With gratitude to God for the past, present and future service of stipendiary Ministers within the United Reformed Church, Southern Synod undertakes to provide £8.0 million in funding to the URC Ministers' Pension Funds anticipated deficit. The funds to be provided over the period 2022 to 2030.

This undertaking to provide the funding is subject to:

1. A satisfactory method is established that funds are held in a separate account under the control of the URC Trust, or such other body as agreed by all thirteen synods, and only provided to the Ministers' Pension Fund Trustees as required.
2. When the deficit has been cleared, funds no longer required will be returned to the Synod unless otherwise agreed.
3. Southern Synod's commitment will be reviewed in 2026 and at other times when the Ministers' Pension Fund valuation estimates change.
4. Annual review as part of the Synod budget process; should the continued provision of this funding jeopardise the financial integrity of Southern Synod, the Synod reserves the right to cease providing funds until such time as the position is rectified.

John Denison  
Trustee  
Synod Treasurer  
September 2021