

# CHURCH OF SCOTLAND PENSIONS TRUSTEES

## May 2015

### PROPOSED DELIVERANCE

#### The General Assembly:

1. Receive the Report.
2. Approves the reappointment of Mr Hamish Scott as a Trustee.

## REPORT

### 1. Background & Statistics

As reported last year, the Employing Agencies of the Church took the decision to cease future service accrual under the Church's Defined Benefits Schemes. Consequently, during 2014, the Trustees have been administering "closed" Schemes. The change from "open" to "closed" brings various challenges and the Trustees have been reacting accordingly.

As at 31 December 2014, the Schemes under Trust covered some 5,400 members, with total assets of £430m. A triennial actuarial valuation is due at the end of 2015.

### 2. Proposed Dissolution of the Central Services Committee

As reported at last year's General Assembly, the Council of Assembly proposed to dissolve the Central Services Committee (CSC). In the context of the Church's Pension Schemes, the CSC is deemed to be a "Statutory Employer" and, in Pensions Law, the potential dissolution of any Statutory Employer leads to certain duties and responsibilities placed on the Scheme's Trustees in order to protect the Scheme's members. Accordingly, the Trustees took legal advice, with the result that the CSC Section of the Staff Scheme was formally placed in a Pensions Protection Fund (PPF) Assessment Period and then

subsequently released from that Period. During the Period, there was no impact on members' benefits and the Trustees issued formal Announcements to each Member informing them of the situation.

### 3. Increases to Pensions in Payment

As has been reported in previous years, increases to pensions in payment fall into three separate categories: pensions earned in respect of service accrued between April 1997 - April 2005 and pension earned in respect of post April 2005 service are subject to statutory increases, whilst pensions in respect of service accrued prior to April 1997 are increased at the discretion of the Trustees and are not protected by any statutory increases. The exception to this is the Scheme for Presbytery & Parish Workers (PPW) where pre-97 increases are prescribed by the Rules. With effect from 1 January 2015, the statutory increase to all pensions earned in the PPW Scheme and all pensions earned post 1997 in all schemes was 1.2%.

Because additional funding was made available by the Ministries Council it was possible to increase pensions earned before 1997 by 1.5%. Whilst the Trustees are pleased to report that this is the second year in succession where a discretionary increase has been awarded, it must be noted that, unless further funding becomes available, this must be regarded as a "one off" increase.

The Widows' and Orphans' Fund is a separate ring-fenced Scheme and the conditions were such that Trustees were able to use their discretionary powers to apply a 2.3% increase to the benefits.

#### **4. Investment**

During 2014 the Trustees of the participating schemes continued their investment strategy of seeking to improve security of members' accrued benefits by reducing the volatility of the funding position. This was achieved by selling certain gilts and corporate bonds and buying long dated and inflation linked gilts. This improved the interest rate and inflation matching of the assets with reference to the liabilities. This reduces reliance on asset market performance and on the Employing Agencies as more closely matching the liabilities means reduced volatility in the funding position.

At the beginning of 2015, the weightings held in "risk assets" and "matching assets" were broadly on target at 20% and 80% respectively across all Schemes, with the exception of the CrossReach section of the Staff Scheme which continues to have a higher exposure to risk assets. These positions have been reached after taking appropriate investment and actuarial advice as well as consulting with the Employing Agencies. We must now give further consideration as to whether or not a further risk reduction is appropriate.

#### **5. Trustees**

##### **General Assembly appointed Trustees**

Mr Hamish Scott reaches the end of his term of office at the 2015 General Assembly and has indicated his willingness to carry on. We propose his re-appointment and ask the General Assembly to approve his continuation as a Trustee.

##### **Member Nominated Trustees**

**Ministers and Overseas Missionaries Scheme** - Rev Jeffrey A McCormick was nominated and elected to fill the remaining Member Nominated Trustee (MNT) vacancy reported last year.

**Presbytery and Parish Workers (Mission Development Staff)** - For many years there have only been two member nominated Trustees where three are allowed. Sandy Falconer has now resigned so nominations are being sought for further Trustees.

##### **Staff Scheme (CSC and Crossreach)**

John Thomson and Catherine Skinner were nominated and elected to fill the two MNT vacancies reported last year. Catherine Skinner subsequently resigned her position and Simon Bree was duly nominated and elected to fill the vacancy.

*In the name of the Trustees*

W JOHN McCAFFERTY, *Chairman*  
GRAEME R CAUGHEY, *Vice-Chairman*  
STEVEN D KANEY, *Secretary*