

# CHURCH OF SCOTLAND PENSION TRUSTEES

May 2017

## PROPOSED DELIVERANCE

### The General Assembly:

1. Receive the Report.
2. Approve the reappointment, as a Trustee, of Mr Graeme Caughey.

## REPORT

### 1. Background & Statistics

As at 31 December 2016, the Schemes under Trust covered some 5,300 members, with total assets of approximately £500 million.

### 2. Trustees

2.1 W J McCafferty has intimated his intention to retire as a Trustee at the 2017 General Assembly. Further comment is made in the Appendix to this Report.

2.2 Graeme Caughey reaches the end of his term of office at the 2017 General Assembly and has indicated his willingness to carry on. We propose his reappointment and ask the General Assembly to approve his continuation as a Trustee.

### 3. Actuarial Valuation

A statutory triennial valuation was carried out at 31 December 2015. At time of writing this report, the CrossReach section of the Staff Scheme still has to be finalised, whilst all other sections have been agreed and the relevant documentation has been lodged with the Pensions Regulator. The Trustees are pleased to report that the Ministers' Main Schemes are in surplus on a prudent actuarial basis whilst an appropriate Recovery Plan has been agreed for those Schemes which are in deficit.

A summary of the respective funding positions at 31 December 2016 is set out below:

<u>Scheme</u>	<u>Funding level</u>	<u>Surplus/ (Deficit)</u>
Ministers' Main Pension Fund	104%	£12.6m
Ministers' Widows' & Orphans Fund	102%	£0.9m
Ministers' Contributors' Fund	120%	£0.9m
Staff [CSC Section]	92%	(£3.6m)
Staff [CrossReach Section]	82%	(£13.5m)
Ministries' Development Staff	94%	(£1.1m)

The CrossReach Section of the Staff Scheme has the largest deficit though the Trustees remain satisfied that members' benefits are protected via the strong Deficit Recovery Plan agreed with CrossReach after the 2012 Valuation together with underlying guarantees agreed by the General Assembly and Council of Assembly.

## 4. Increases to Pensions in Payment

### 4.1 Statutory Increases

The statutory increases applied to pensions in payment across all Schemes, from 1 January 2017, was 1%.

### 4.2 Discretionary Increases

After taking into account funding levels and actuarial advice the Trustees are pleased to apply discretionary increases as follows:

- Ministers' Main Pension Fund: 1% in respect of pre-1997 service
- Ministers' Widows' & Orphans Fund: 10% to all pensions
- Ministers' Contributors' Pension Fund: 25% to all pensions

## 5. Investment Strategy

The investment objective of the Schemes is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the Schemes payable under the trust deed and rules as they fall due.

The Trustees set the investment strategy for the Scheme taking into account considerations such as the strength of the employer covenant, the long term liabilities of the Scheme and the funding agreed with the Employer. The investment strategy is set out in its Statement of Investment Principles.

The current strategy is to:

- match the interest rate and inflation exposures of the liabilities, by holding fixed income assets

- hold an appropriate weighting in return seeking investments, including UK and overseas equities, and Absolute Return Bonds

## 6. Benefits and Rules Revision and Administration System

The Trustees have overseen a comprehensive Benefits & Rules review across all Schemes and expect to conclude that review during the summer of 2017. By that time, the Church's in-house Pensions Team will have transferred administration onto a newly installed, bespoke system which will increase efficiencies and reduce risks.

*In the name of the Trustees*

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

## ADDENDUM

### W John McCafferty

Mr John McCafferty joined the Retirement Scheme Committee (as it was then) on 1 January 1990. In 1997 he became Vice-Chairman of the Church of Scotland Pension Trustees and in 2009 he was appointed Chairman. He is a "pension man" through and through and has given 27 years' service to the Church Pension Schemes. He has seen the Trustees through much financial troubles running through three actuarial valuations and retires with the Defined Benefit schemes in good order. New administration systems will be in place by May 2017 and the funding of the schemes is either in surplus or with good deficit recovery plans in place. The Trustees thank John for his service.