SUPPLEMENTARY REPORT OF THE ASSEMBLY TRUSTEES MAY 2025

Proposed Deliverance

The General Assembly:

1. Receive the Supplementary Report.
2. Approve the granting by the General Assembly of a formal indemnity in favour of the Pension Trustees to indemnify them in respect of personal liabilities that might arise in connection with the running of the Church's three defined benefit Pension Schemes, which closed on 31 December 2013, and authorise the Moderator and Principal Clerk to sign the Indemnities on behalf of the Assembly.
3. In light of the Scottish Government's proposed changes to the Scottish Charity Audit Threshold, pass the amendments to the Presbytery Finance Regulations (Regs III 2016) set out at Section 2.2 of this Supplementary Report and to the Congregational Finance Regulations (Regs II 2016) set out at Section 2.3 of this Supplementary Report.

Report

1. INDEMNITY FOR THE PENSION TRUSTEES IN RESPECT OF PERSONAL LIABILITIES

1.1 The Trustees of the Church's three defined benefit Pension Schemes (the Church of Scotland Pension Scheme for Ministers and Overseas Missionaries (the "Ministers Scheme"), The Church of Scotland Pension Scheme for Staff (the "Staff Scheme") and The Church of Scotland Pension Scheme for Ministries Development Staff (the "MDS Scheme") (together referred to as the "Schemes")) have carried out a review of the Rules of the Schemes. They have concluded that there are some gaps in the indemnities and protections provided to them by the terms of the Rules, specifically in relation to omissions in decision-making and unintentional breaches of law, and accordingly, they have requested an additional indemnity for each Scheme from the Church in respect of these. Excluded from the terms of this indemnity will be liabilities caused by fraud or dishonesty, by an act or omission which a trustee knew (or should have known, with the benefit of professional advice received at the time) to be a breach of trust, or by wilful neglect or default.

1.2 As the Pension Trustees are reporting to the General Assembly, the Ministers Scheme is well funded, with all the money needed to pay benefits and expenses held within the Scheme. The Staff Scheme and the MDS Scheme are fully insured, as they moved to buy-in at the end of 2024. This means that all future payments to members under the Staff Scheme and the MDS Scheme are guaranteed under an insurance policy put in place by the Pension Trustees and these Schemes have accordingly been de-risked. It is anticipated that both Schemes will move to buy-out in the near future (this means that the "blanket" insurance policy is replaced by individual policies with each pensioner). It is customary for Pension Trustees to be granted an indemnity against personal liabilities by the pension scheme employer when schemes are bought out by an insurance company and then wound up.

1.3 The Assembly Trustees have carefully considered the terms of the indemnities requested by the Pension Trustees and have concluded that the risk to the Church's assets in granting them is low, for three reasons:

1. The Ministers Scheme is in good financial health and the Staff Scheme and MDS Scheme are fully insured, with all benefits guaranteed. It is anticipated that the Ministers Scheme will also move to buy-in within the near future.
2. There is trustee liability insurance cover in place which provides cover for both the Assembly Trustees and the Pension Trustees with an aggregate liability cap of £10m and the Pension Trustees have committed to maintaining this cover unless agreed otherwise with the Church and, on the winding-up of one or more of the Schemes, to putting appropriate run-off insurance in place, the cap and duration of such cover to be agreed with the Church. This would be the first point of recourse for the Pension Trustees were a claim to be made against any of them in a personal capacity. Further, no claim on the Church's indemnities could be made if the claim was subject to an effective discharge provision granted in favour of the Pension Trustees by the Scheme Rules, or if it could be recovered by the Pension Trustees under the terms of professional indemnity insurance maintained by their professional advisers. The indemnities would only come into play if these protections failed.
3. The potential liabilities of the Pension Trustees, and thus of the Church under the indemnities, is reducing each year as no further benefits have been accrued since they closed on 31 December 2013.

1.4 The General Assembly is therefore invited to approve a Deliverance authorising the Moderator and the Principal Clerk to sign the indemnities on its behalf. Any decisions on how an indemnity would be honoured, in the unlikely event of a claim being made and the assets of the Unincorporated Entities proving to be insufficient, would be at the discretion of a future General Assembly.

---

2. CHANGES TO THE SCOTTISH CHARITY AUDIT THRESHOLD

2.1 The Scottish Government has committed to increasing the Scottish charity audit threshold from gross income of £500k per annum to gross income of £1m. The detail will be within the amendments to The Charities Accounts (Scotland) Regulations 2006 which are to be introduced in Autumn 2025. However, the change impacts the Presbytery Finance Regulations (Regulations III 2016) and Congregational Finance Regulations (Regulations II 2016) which both stipulate the threshold for audit being required is gross income of £500k. The announcement was made after the deadline for the main Assembly Trustees report to the General Assembly, therefore changes to these Regulations to bring them in line with The Charities Accounts (Scotland) Regulations 2006 (as amended), require to be made in this Supplementary Report.

2.2 The following amendments are therefore proposed:

Section C1 of the Presbytery Finance Regulations (Regulations III 2016) from:

"If the gross income of the Presbytery exceeds £500,000 in the current financial year an audit shall be conducted".

Is changed to read:

"If the gross income of the Presbytery exceeds the threshold set out in The Charities Accounts (Scotland) Regulations 2006 (as amended), an audit shall be conducted".

2.3 Section C1 of the Congregational Finance Regulations (Regulations II 2016) from:

"If the gross income of the congregation exceeds £500,000 in the current financial year an audit shall be conducted".

Is changed to read:

"If the gross income of the congregation exceeds the threshold set out in The Charities Accounts (Scotland) Regulations 2006 (as amended), an audit shall be conducted".

In the name of the Committee

DAVID CAMERON, *Convener*
GEOFF MILLER, *Vice-Convener*
BARRY HUGHES, *Administrative Trustee*