URC Pensions

You may have heard that the United Reformed Church (URC), in common with many other Pension providers, is facing a problem with funding of its Pensions Scheme. Why is there an issue with the pensions of our staff and ministers?

It is largely due to the Pensions Regulator taking a firmer stance on ensuring that those who offer pensions to their staff (and in this context that includes Ministers & Church Related Community Workers) have secure means to do so.

We currently offer both staff and ministers a Defined Benefit Pension. That means that as a body, the URC is promising its staff and ministers that they will have a pension when they are entitled to receive one. The pension is clearly defined, but the costs of providing such a pension are a risk that the church bears. This means making provision for costs that could need to be paid in 50 or more years' time. Predicting how much will be needed a significant time in the future is a complex and uncertain prediction.

However, having made such a promise, the Regulator wants to ensure that the URC has the means to stand by its commitments. To ensure this, the Regulator requires that we set aside enough assets or provisions to ensure that we can deliver what we promise, whatever financial circumstances might prevail.

We, the church, have made the promise in good faith, and the liabilities have already been incurred. We need to ensure that we can honour our promises. We may need to look at whether we are able to continue to meet the commitments into the future. That is a decision for General Assembly at a time when they are presented with possible alternatives.

In order to fund the pensions most schemes invest their funds as there are ways to increase such funds more than if they are simply held as cash. All investments come with a degree of risk. Usually, the greater the risk, the greater the reward. We could invest in Government Securities (often known as Gilts) which are virtually risk free, but which offer very low rates of return. If we wish to reduce the risk levels, this would mean that we would need to replace our current investments with such investments. However, due to the lower rate of return would need to supplement them by significant additional funds.

We have currently been earning around 3 - 4% per annum on our equity investments but Government Securities offer rates around 0.5% at best. A small change in the rate of return makes a very large difference when compounded over many years.

The regulator requires all Pension Funds to take a more prudent position regarding risks, or to ensure that they have, and will have, the means to weather the worst situations that the financial markets might need to endure.

There are 2 Pension Funds that we operate as the URC.

- The Lay Staff Pension Scheme
- The Ministers Pensions Scheme

The former is managed by TPT (formerly known as The Pensions Trust) on our behalf. It has just had its triennial valuation which appears to show that it is in reasonable shape with assets matching its liabilities.

The Ministers Pension Fund is run by our own set of Trustees and is due for its triennial valuation at the end of 2020. At the last valuation we were almost in balance. However the Regulator has expressed strong concerns about some of the assumptions made at that valuation and wishes the Trustees to take a more cautious view of the future and to provide risk back-up in terms of assets that could be used in the event of serious shortages in the fund.

The numbers are large. The assets and liabilities at present are around £180 Million. To lower the risk by using a more prudent view of the future, it is very likely we shall need to invest of the order of £30 million extra cash into the fund and also to make available contingency funds of a similar size to cover the risks.

The URC centrally does not have this level of funds. The 13 Synod Trusts collectively have assets of around £200M and the URC centrally around £50M. The local churches probably have another £200M in investment assets plus we have many buildings which are not valued or included in any accounts which probably are worth in the region of £1000-1500M. So, the funds required are within the scope of the URC.

There is a general belief that the problem is one that the URC needs to solve together, with each part of the URC contributing according to its means. Our structure which has assets held in local churches, Synod Trusts and central Trust makes decision making a challenge. One colleague likened it to herding cats!

The indications are that the share for the South Western Synod Trust is likely to be around £3M over the next few years, plus the need to earmark some assets for the contingency fund. We already contribute 10% of all sales of church buildings and we may need to think about whether to increase this factor. Our assets as at the end of 2019 and little changed today total around £16M, around half of which is readily accessible.

We may ask some churches with significant reserves if they are willing to share in providing some of these funds. We have 5 churches in the Synod with reserves in excess of £500,000.

In many ways the Pensions issue could not have come at a worse time. Many of our churches and congregations are struggling with the impact of COVID-19 and have lost both rental income and members donations. The church and its M&M contributions are under stress.

However, I believe that with goodwill and a degree of generosity of heart we shall together find a way forward.

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