

Bill No.11

Proposer: Mr Robert Neill

Embargo Until Delivery • Check Against Delivery

The legislation to amend parts of Chapter XIV of the Constitution follows the decision of the Representative Body to transfer the management of the Clergy Defined Contribution pension schemes to the Master Trust providers chosen by the Representative Body.

To begin, I would remind members of Synod that clergy with service before 31 May 2013, who on that date were members of the Clergy Defined Benefit pension scheme, will, on retirement, have pension benefits payable from the Church of Ireland Clergy Pensions Fund in respect of their service up to 31 May 2013. The amendments proposed to Chapter XIV do not change Defined Benefit pension arrangements under the Clergy Pensions Fund.

For Clergy with service after 1 June 2013, who are members of either the Northern Ireland or the Republic of Ireland Clergy Defined Contribution pension schemes, these Clergy will have benefits payable on retirement from the relevant Clergy Defined Contribution pension scheme in respect of their service post 1 June 2013. The decisions taken by the Representative Body about Master Trusts involve these Defined Contribution pension schemes.

At the end of 2021, the Irish Pensions Authority published its Code of Practice implementing the European pensions regulation referred to as IORP II. The governance demands are exhaustive and the costs of compliance with the Code are significant, including the costs of appointing a risk manager, an internal auditor, as well as the costs of external advisors performing critical reviews. For the UK, there are similar pension regulations requiring pension trustees to assess 'value for money'. When the two Clergy Defined Contribution pension schemes were reviewed, the decision was made that, in the interests of the members, the schemes should be managed under Master Trusts.

What is a Master Trust? A Master Trust enables an employer with an occupational pension scheme to join with other employers with occupational pension schemes under a single trust deed regulating all participating pension schemes. A Master Trust creates economies of scale, replacing multiple individual trust deeds with a single trust deed applicable to all participating pension schemes, reducing costs and delivering time efficiencies associated with managing a Defined Contribution pension scheme. At the same time, by virtue of their size, the providers of a Master Trust can invest more in service, governance and security.

The Representative Body engaged PricewaterhouseCoopers to advise on the most appropriate Master Trust providers for the Clergy Defined Contribution pension schemes. PWC invited Master Trust providers in the Republic of Ireland and in Northern Ireland to make presentations and a summary of the Master Trust providers for each jurisdiction alongside PWC's recommendations, were considered

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by the RB Executive Committee. The Executive Committee recommended Mercer as the Master Trust provider for each jurisdiction, based on investment performance, member engagement, and the positive existing relationship with Mercer as the fund manager for the Clergy Defined Contribution pension schemes. The Representative Body approved the Executive Committee's recommendation of Mercer Northern Ireland and Mercer Ireland as the preferred Master Trust providers for the Clergy Defined Contribution pension scheme for Northern Ireland and for the Republic of Ireland respectively.

So what will change? The Trustees will change and there will be standard rules common to all schemes in the Master Trusts but the RCB will have a Participation Agreement with the new trustees to protect members' interests. There will be no changes to contributions to the Defined Contribution pension schemes, the funds shall continue to be managed by Mercer as at present, members will retain the same fund choices and benefits will be the same including Death-in-service benefits. But management of the Northern Ireland scheme will transfer from Scottish Widows to a Master Trust provided by Mercer Northern Ireland and of the Republic of Ireland scheme from Zurich to a Master Trust provided by Mercer Ireland. The transfers to Master Trusts will reduce management costs which should result in improved returns for members' funds.

All the costs of these changes will be borne by the RCB as Sponsor and there will be no risks to the members from the transition process.

The bill before members of Synod amends Chapter XIV of the Constitution by introducing a definition of a 'Master Trust'. The bill widens existing provisions on the appointment of trustees for the Clergy Defined Contribution pension schemes, and the rules for the schemes, to reflect Master Trust arrangements. The Explanatory Memorandum to the bill mentions the need for a Motion being necessary to implement the bill but that is now deemed unnecessary. Subject to members approving the amendments to Chapter XIV, the Representative Body will formally report the appointment of Mercer as the Master Trust provider for both Clergy Defined Contribution pension schemes to General Synod in 2025.

I propose this bill.