

Pensions Board update

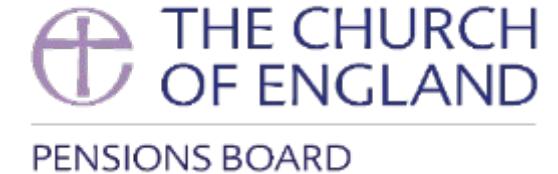
Meeting with the Retired Clergy Association

Friday 3rd March 2023

Contents

- Clergy pension increases
- Housing update
 - Rent and mortgage increases 2023
 - General housing update
- Pre-retirement and start of ministry seminars
- Responsible investment
 - Looking ahead to July 2023 NIB report back on oil & gas sector

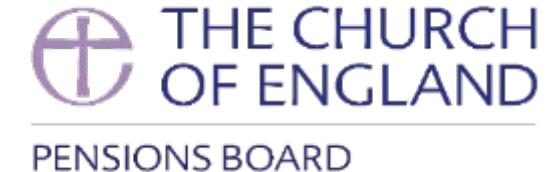
Clergy Pension Increases 2023



Arrangements from 1 April 2023

- A discretionary increase applied to all pensions in payment of **10.1%**.
- Decision reached after careful consideration and with advice.
 - Under the Rules, pensions are guaranteed to increase each April by RPI up to 5% for service to 31 December 2007, and 3.5% for service after 1 January 2008
- Church Commissioners Board of Governors agreed to apply the same uplift to pre-98 pensions

Rent and mortgage interest payments from 1 April 2023

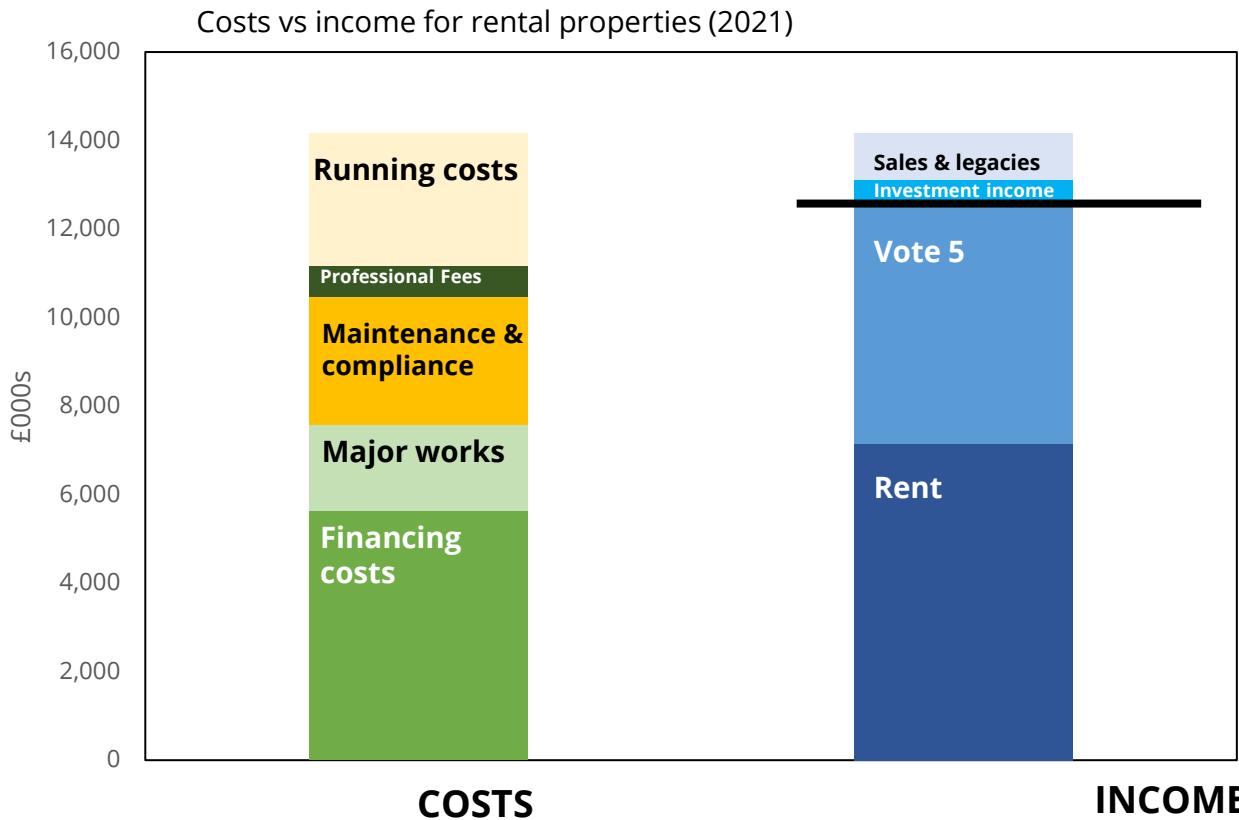


- The Trustees considered a range of factors including ongoing impact of the cost of living crisis, the increases in the past year to service costs, and legal obligations under various agreements
- The usual practice is to increase rent/mortgage interest payments in line with the previous September's RPI (12.6% for 2022) with reference to the clergy pension increase
- The Board considered carefully
- The increase is 10.1%, in line with the percentage increase in clergy pensions

We continue to ask anyone worried about affording the increase to get in touch with us (to incomeandrevenue@churchofengland.org). There are ways we might be able to help.

Context to planned increase:

Recap on how our funding/income works



- Interest on external and intra-Church financing accounts currently accounts for **more than a third** of our costs
- More than **75%** of rent from residents just goes towards meeting our borrowing costs – servicing debt with the Church Commissioners, the interest on two long term bonds and a credit facility with Santander.
- **Borrowing comes with debt service and asset cover tests/covenants that must be met**
- We receive a small income from investments, sales proceeds and legacies each year - but by its nature this is uncertain.
- Vote 5 is essential to help cover costs of services for **2,700 residents on sub-market rents**

Context to planned increase: Wider economy

Some of our challenges:

ECONOMY

**Interest rates may need to go higher,
Andrew Bailey suggests**

Mehreen Khan, Economics Editor

THE TIMES

Wednesday March 01 2023, 11.50am,
The Times

- **Significant rise in interest rates**
- **Rising inflation**
- Directly increases the cost of our borrowing



The screenshot shows a news article from Batchelors Solicitors. The headline is "COST OF HOUSING REPAIRS BITES AS HOUSING ASSOCIATIONS FACE RECORD INCREASE". The article discusses the financial challenges faced by housing associations due to rising costs of property repairs.

- Cost of property works a particular concern
- **Sector wide issues inc. cost of supplies and continuing contractor scarcity**



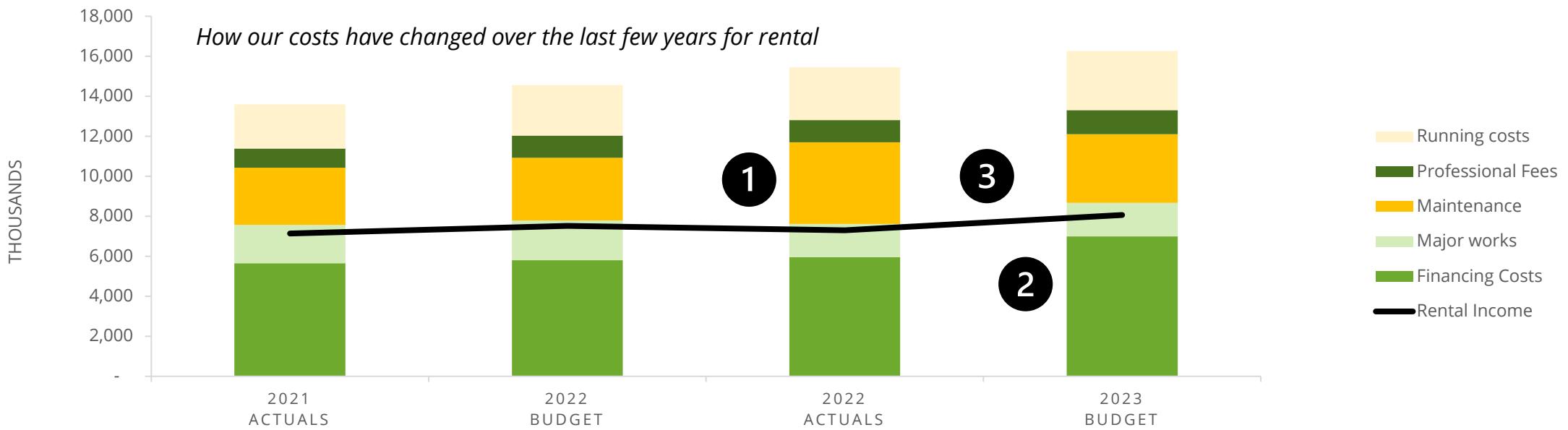
The screenshot shows a news article from BBC News. The headline is "Mortgage approvals sink to lowest level in two years". The article discusses the impact of the housing market slowdown on mortgage approvals.

- Reducing no. of mortgage offers and more people thinking twice about a move
- **A slowing housing market**
- Makes it more difficult to buy property even for a willing cash buyer
- Sales may not achieve prior year values

Context to planned increase:

Impact of the rent increase

Every £ we get in rent is spent on running our retirement housing services for retired clergy and their households.



To highlight a few points:

1 40% increase in cost of maintenance over the past year, driven by costs of materials and contractor scarcity

2 £1m increase in financing costs in 2023 compared with 2022

3 2023 rent increase equivalent to c.£760k additional income, which **only covers ¾ of the increased debt service costs**

General Housing Update

Support with cost of living crisis

- New guidance page set up:
www.churchofengland.org/costofliving
- Welfare Advisor service available to look at an individual's personal circumstances, and support to apply for any help an individual might be entitled to
- Continuing to strengthen links with other charities who support retired clergy

Resident Panel

- Continues to grow, and have an impact
- 4 meetings held in 2022, with further meetings planned this year

Changes to Sanctuary contract

- As of April 2022, no new major works to occupied homes undertaken by Sanctuary, other than heating works
- Major works now arranged by CEPB using regional surveyors/contractors

Net Zero

- Recruiting a Net Zero Implementation Manager for Housing, in conjunction with the Church's Net Zero Programme

Repairs and compliance

- Over **6,600** calls received by Sanctuary's call centre in 2022
- Over **7,600 job** orders raised (this includes void properties)
- As at end of December, **99.2%** of homes have a valid gas certificate (those missing are void properties or end of tenancy)
- Electrical testing programme largely complete - **86%** of occupied homes have now been surveyed

Team changes

- Property Team now operating as 4 regions with each region having its own Property Services officer
- 3 of the 4 regions have a Complex Case and Voids Manager in post, and based locally
- New Operations Manager joined the team in January to strengthen property management

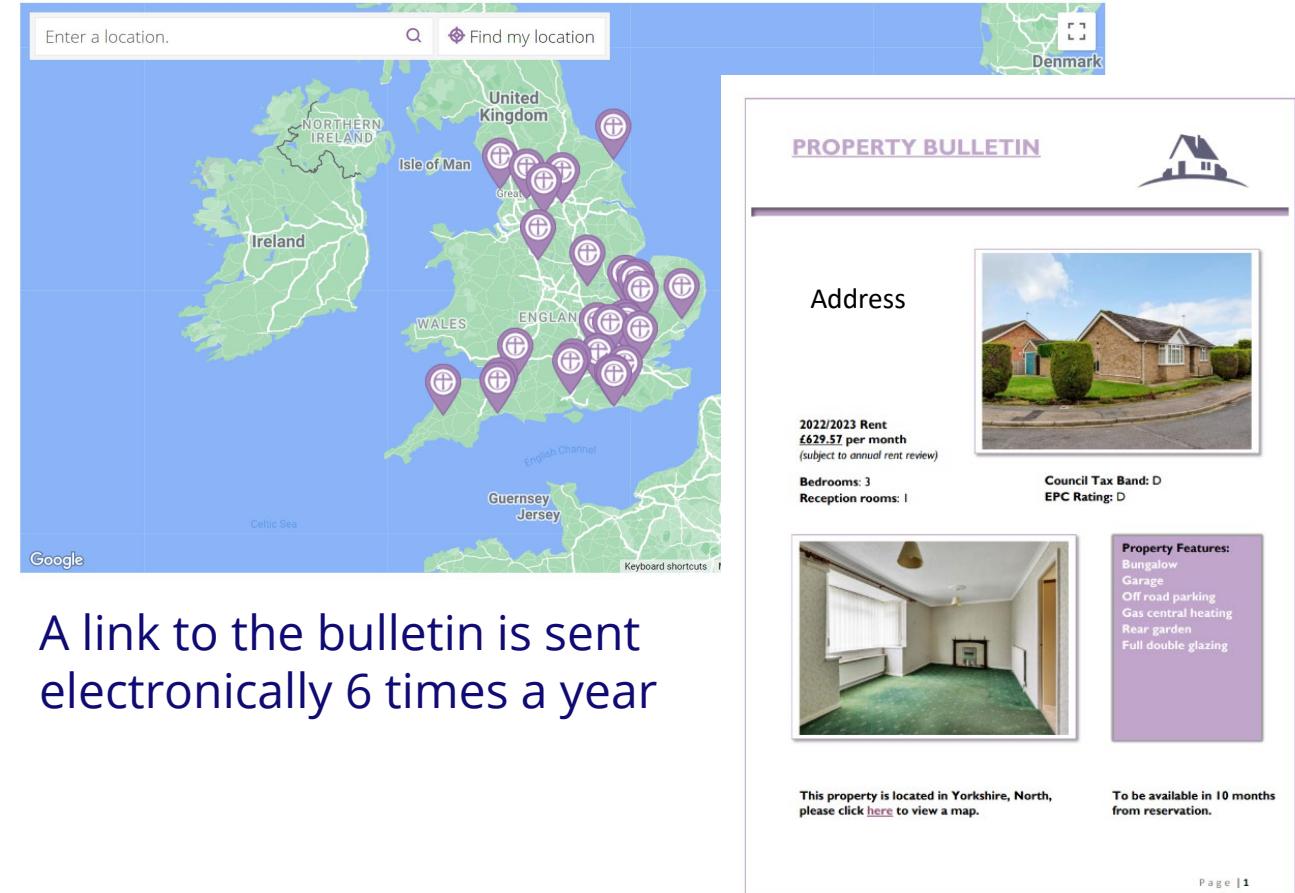
Demand

- Last year, **83** households moved into a Church retirement property
- We have received more than **150** applications for future support over the next few years

Planning ahead with retirement housing

Through any conversations you have, please encourage anyone who may need help with retirement housing to:

- Apply as early as possible for support – they can contact us up to 5 years in advance
- Consider a range of housing options for their retirement
- Look carefully at our bulletin of available properties – this is the best and surest route to finding a Church retirement property



A link to the bulletin is sent electronically 6 times a year

PROPERTY BULLETIN

Address

2022/2023 Rent
£629.57 per month
(subject to annual rent review)

Bedrooms: 3
Reception rooms: 1

Council Tax Band: D
EPC Rating: D

Property Features:
Bungalow
Garage
Off road parking
Gas central heating
Rear garden
Full double glazing

This property is located in Yorkshire, North, please click [here](#) to view a map.

To be available in 10 months from reservation.

Retirement Planning seminars in the last year

Pre-retirement

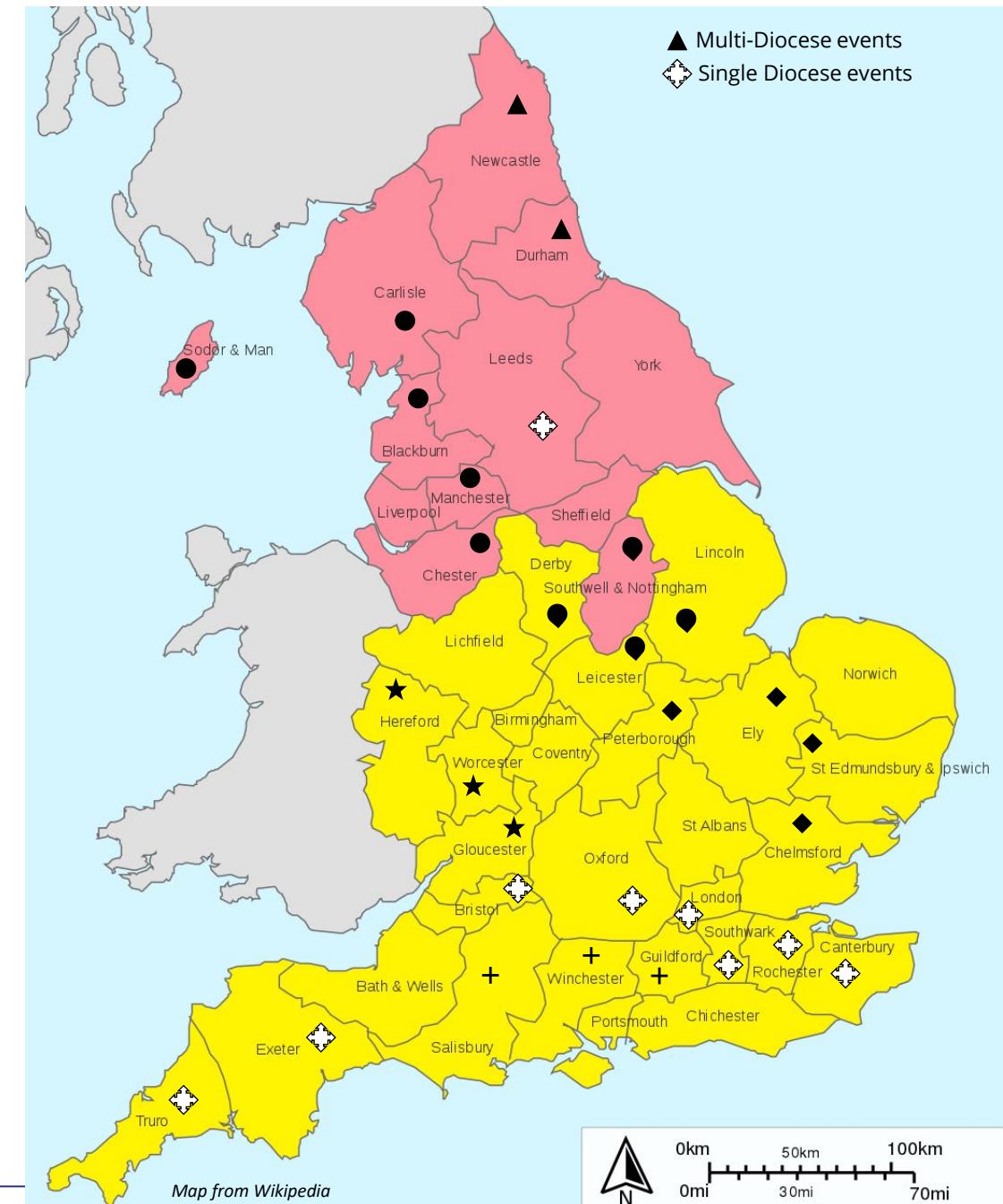
A pre-retirement session was offered in at least **30** out of 42 Dioceses*

- In several instances, these were multi-Diocese events
- At least two Dioceses offered multiple dates for sessions; others ran one event
- One Diocese also offered a similar session to those 10 years from retirement

Starting ministry

- Sessions held with **7** Theological Colleges
- At least one Diocese organises a semi-regular session for new ordinands

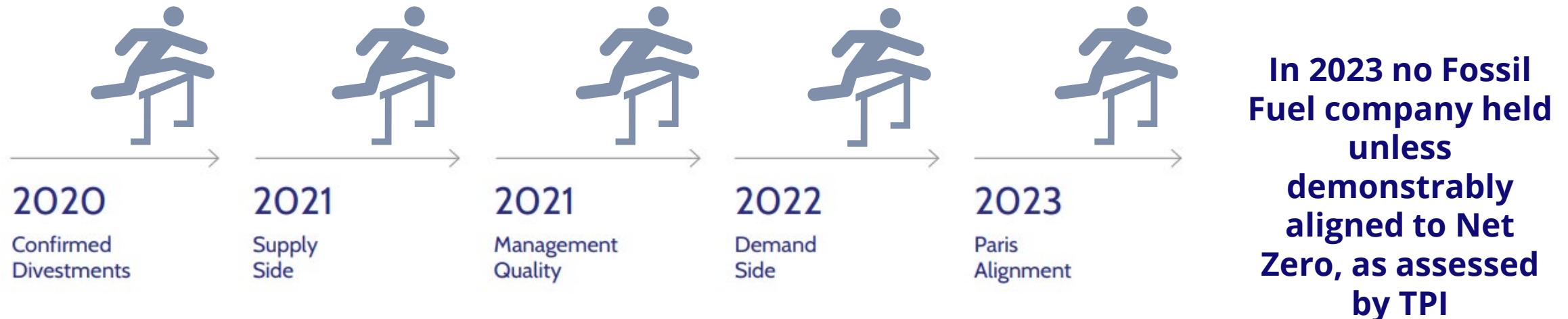
* These are based on lists attended by colleagues within the Pensions Board. Some Dioceses might not have offered an event this year, but may have done so previously.



Responsible Investment

Engagement with the oil and gas sector

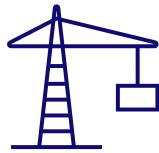
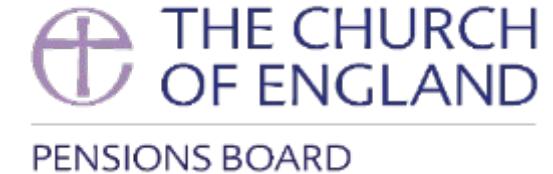
The National Investing Bodies have set a series of hurdles for companies to demonstrate increasing alignment to the Paris climate goals – in line with our commitment to General Synod



Timeline to July:

- AGM season: further opportunity to use voting, shareholder resolutions, and pre-AGM pressure
- Scope for further Transition Pathway Initiative (TPI) assessments
- Review
- Report back to Synod in July

Other examples of recent engagement



Mining sector reform

Keeping the faith: Why the Church of England invests in mining companies

By Charlotte Mathews - Feb 13, 2023



- Remembrance service held for the 4th anniversary of the Brumadinho disaster
- Coincided with launch of a new Independent Global Tailings Management Institute, with the UN Environment programme aimed at driving industry safety standards



Executive pay

Executive pay system 'broken' says Church of England Pensions Board



by HATTIE WILLIAMS
15 DECEMBER 2022

CHURCH TIMES

- Summit held in December of leading UK Pension funds, investors, TUC representatives and Government regulars to look at issues of excessive Executive Pay
- Further work planned ahead of AGM season where investors often have to vote on pay awards

The Church of England Pensions Board is a registered charity number 236627

www.churchofengland.org/pensions
www.churchofengland.org/housing

pensions@churchofengland.org
housingservices@churchofengland.org

Disclaimer: this presentation has been produced for general guidance on matters of interest only, and does not constitute professional advice. It must not be reproduced without written permission from The Church of England Pensions Board. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this presentation, and The Church of England Pensions Board, its Trustees, employees and agents do not accept or assume any responsibility or duty of care for any consequences of you or anyone else acting or refraining to act in reliance of the information in this presentation.