

Aged & Infirm Clergy Fund

# Questions Answered

From the Facing the Challenge webinar \*



**ARCHDIOCESE**  
OF ST ANDREWS & EDINBURGH

\* 31 August 2021

## Introduction

On 31 August 2021, the Archdiocese of St Andrews & Edinburgh hosted a webinar titled *Facing the Challenge: Clergy Retirement & the Future*. The purpose of the webinar was to share information on the Aged & Infirm Clergy Fund with both clergy and representatives of parish finance committees

and to obtain an indication from attendees of their preferred option to gather parish-based annual contributions for clergy retirement from 2022. Questions asked during the webinar (as well as before and after it) are collated and answered in this document. We hope you find it helpful.

**Trustees**

Archdiocese of St Andrews & Edinburgh



Click [here](#) to  
view the webinar

- 1** "Which retirement scheme is appropriate for clergy retirement? "
- "Would a regulated pension scheme provided by a third party not be better?"
- "Have different models been considered e.g. by new/current priests forming a PPS?"
- "What do the other Scottish Dioceses do?"

The AICF structure and alternatives have been considered, broad options are:

- The AICF (Aged and Infirm Clergy Fund), (the Priests' Retirement Fund). This is a restricted fund of the Archdiocese. This provides a pooled fund. The only running costs are investment management charges and periodic actuarial or legal work. The payroll (to pay allowances) is operated by the Curia Finance team.
- Establish a defined benefit pension scheme. This would be very similar to the existing AICF but would have additional set up and operating costs.
- Establish a defined contribution ("DC") pension

scheme. This would require a major review of the way that Priests are provided with living costs. This could increase income tax for priests. It is likely that the contributions that would be required would be similar to those that we have identified as required for the AICF. It is likely that a DC scheme would create individual pension pots, unlike the existing pooled fund. The pooled fund means that if a Priest (sadly) does not enjoy as many years retirement as might be anticipated, their contributions are applied to provide retirement allowances for other priests, which will reduce the total cost to the Archdiocese over time.

Continued...

Therefore the existing AICF structure is considered to be efficient and appropriate to the needs of the Archdiocese and of our Priests.

The failure here is that the AICF has not been funded during the working lifetime of any of our priests, not that the model is wrong.

We have asked the other Dioceses in Scotland for details of their retirement arrangements. None of the Dioceses have formal pension schemes and all operate allowances within the Charity funds.

The specific arrangements in each Diocese are different, having developed locally over time, however, in broad terms, when provision of housing and other living costs are compared on the same basis the amounts are similar.

This archdiocese has a clergy retirement funding challenge. **Any alternative retirement scheme structure will still require the funding challenge to be addressed.** This funding challenge must be faced to achieve a clergy retirement provision in this archdiocese which is fit for purpose.

2

**"Was the AICF set up on a 'Pay as You Go' basis to provide support to retired and infirm priests on a discretionary basis depending on their varying and differing needs?"**

The AICF was set up in the 1930s when life expectancy was lower and the costs of providing retirement support would be much lower, in real terms, than they are today.

Other than early retirement through ill health, infirmity support for our clergy is typically provided by the National Health Service and/or Social Services.

The AICF rules, and the Archbishop's (and therefore the Archdiocese's) Canon Law responsibility to support Diocesan Priests in retirement from age 75 means that we have an obligation to pay the costs of that support.

Whether we set aside money in a specific fund (the AICF restricted fund) or aim to use General Funds, we need to plan to pay these allowances as they fall due. In either approach we require additional resources to address the support costs for our priests.

Over the past few years, the average annual income into the AICF from contributions, special collections and investments has been £178,000 and average annual expenditure on allowances £354,000, so the existing contributions are not achieving "Pay as you go", with only 50% of allowances covered.

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**The new funding plan presented to the Parishes has two main components:**

- Annual contributions of, for example, £10,000 per Priest. These contributions, if they can be achieved, given our commitment to consider parish income and assets, will broadly bring us to funding “pay as you go” and possibly make a small contribution to the past service deficit.
- Additional donations to address the past service deficit over time. These donations may be sourced for example from: Parishes with significant cash or deposit balances, proceeds from sale of assets, direct donations from parishioners.

### 3 "For clergy retirement, why not simply aim to generate enough income to match the following year's expenditure?"

The cost in 2020 was £354,000 and will be around £400,000 in the near future due to recent retirements and further retirements which are due over the next few years.

It is impossible to predict on a year-by-year basis the number of priests who will be receiving allowances because some priests may defer retirement and we do not know when active or retired priests will die and no longer require support in this life.

This is why we have used the actuarial valuation process to make reasonable estimates for all of our priests over their likely lifetimes. The uncertainty is

why we would expect to review the projections every 5 years.

At 31 December 2020 the balance of the fund was £1,489,000. During the past 6 years, transfers of £1,628,000 have been made to AICF from Central Funds.

Without these transfers the AICF would have reduced to nil and been unable to pay allowances. We recognise that Central Funds (considering assets and liabilities) cannot maintain these levels of transfer to the AICF. As noted above the existing income levels have been 50% of the expenditure commitments.

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Clergy retirement cannot operate properly on a short-term basis by raising enough income to match the predicted expenditure year-on-year.

This is not expenditure for a utility bill or building maintenance cost which we can stop paying when the money runs out and we simply do without heat or light or let the building fall into disrepair – these are living costs for elderly clergy.

These retirement monies need to be put away in regular instalments for clergy who are working for us now in their thirties for them to draw-down in their retirement some 45-65 years from now (when congregation sizes may not be able to generate the

funds needed to cover the next year's clergy retirement expenditure).

So a long-term funding approach is required here. Clergy retiring at the later age of 75 years cannot 'pick up a wee job' to generate income.

On retirement, clergy will face a property move; change of vehicle; managing property & furnishings on their own for possibly the first time – most laity do not face this scale of change when retiring.

The historic lack of funding and ongoing decline in congregation numbers requires us to create a fund adequate for current and future clergy retirements.



- 4** **"If the aim is to provide a defined benefit pension in future:**
- Will it take into account the shorter term service of late vocations who may have a pension from another source?**
  - Will it take into account that they will not have to provide for dependants?**
  - What provision will be made for those requiring additional support such as 'in care' services?"**

The AICF has provided "Defined Benefit" (or DB) retirement allowances since it was established.

Informally these are "Priests Pensions" however it is not formally a pension scheme. If we converted the AICF into a formal DB Pension Scheme, the operations and protections would not change, but we would incur additional costs.

The AICF EGM in 2019 adopted a revised set of rules for the AICF which, for the first time introduced an accrual basis for the allowances, which addresses the shorter years of service of Priests with later vocations. The retirement allowances paid are considered to be appropriate for retired Catholic Priests. They are reviewed periodically.

There is no provision (and no costs are incurred) for dependents.

The retirement allowances are available to contribute to care costs. It is expected that Priests (or their representatives if they have become incapacitated through age) will use their personal savings and any other income and apply for state support if required.

Ultimately the Archdiocese, under the Archbishop's Canon Law duties, need to ensure that any costs that cannot be covered from the above sources, can be paid from the AICF. Priests should be eligible for the full basic state pension and are assumed to receive it.

# 5

## "What is the tax status of AICF?"

The Archdiocese is a registered charity and therefore does not pay tax on income. Therefore contributions paid by any part of this Archdiocese (employer contributions) could not achieve any tax saving by being paid into a formal pension scheme.

.Most priests have taxable income below the income tax threshold so re-organising funding to enable Priests to make personal contributions would not be beneficial compared to current arrangements.

# 6

**"Clergy retirement allowances – what are they now and are they too generous?  
Have retirement allowances for Priests who have their own homes been over-estimated?  
Does a priest have to accept all retirement allowances offered?  
What about late vocations – do they receive the full allowances?"**

## Clergy Retirement Allowances (2021):

- Retirement allowance £6,981
- Housing allowance £6,144
- Council tax (average) £928

Of course, the retiree may waive his right to some retirement allowances. However, any waiver would only be considered upon retiral and when the retiree is of sound mind. Circumstances can and do change – for example, an anticipated inheritance might not materialise.

Regarding a late vocation, the qualifying period for retirement allowances begins with his date of ordination. So he will receive a percentage of the full retirement allowances, based on his years of service as a Priest in this archdiocese.

The average clergy allowance figures used reflect the current position: 40% of Priests live in their own home, 30% are in care homes or renting outside the Archdiocese, and 30% are in Parish or Centrally owned properties.

The main retirement allowance has historically been increased in line with the Basic State Pension. In recent years, the Government has committed to the Triple lock, and recent low levels of inflation have lead to above-inflation increases in the Basic State Pension. Clergy retirement allowances, including the peg to the Basic State pension, are scheduled to be reviewed shortly.

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Current inflation expectations, and government policy may temporarily or permanently remove the likelihood of future increases exceeding inflation.

As stated in the Webinar, the Clergy retirement allowances in this Archdiocese will be compared with those of other Scottish Dioceses (peer group) when detailed data which is comparable is available.

The AICF allowances are reviewed from time to time as a matter of course.



7

**"Can the clergy contribute to their own 'pension'?"**

The clergy themselves only receive a modest monthly allowance. In order for Priests to make a contribution, we would need to increase the monthly payment they receive. There is no process

currently for Additional Voluntary Contributions by clergy. There has been no demand thus far – partly due to their personal lack of income and partly due to the later retiral age of 75 years.

8

**"What about inflation and market fluctuations? Will the Central Fund cover these and protect parishes from any impact of future change?"**

There can be no assurance that 'further additional and increased contributions are not required in the future' as market forces are outwith the control of the Trustees. No-one knows at this point in time how the laity will respond to this challenge. Trustees

will manage to the best of their ability that which is within their control to ensure regular actuarial reviews are performed and to minimise future increases.

## **9** "What was the brief given to the actuaries? "

The actuaries' task was to provide projections of the cost of the allowances. Consideration of the fund structure has been undertaken separately. The broad options and reasoning for retaining the AICF structure have been described above.

## **10** "Will there be another actuarial review? If so, when?"

Actuarial reviews will be performed on a regular basis, in line with good practice. The next review will be performed in 2022.

## **11** "Why not sell off surplus property and put that money into the AICF?"

Under Scots Law, all properties are owned by 'The Archdiocese of St Andrews & Edinburgh'. Asset ('family silver') sales to fund the AICF thus far have been assets owned by the Centre, not parishes.

Under Canon Law, parish property is under the patrimony of the parish. Should a parish priest and his finance committee wish to sell part of their property portfolio, there is a process in place to

support that – via the Director of Properties, Sr Mary Pierre RSM. Under Canon Law, the proceeds from any parish property sold remain with the parish. Some Parishes have funds within bank or loan balances from previous building sales. Should any parish wish to donate some of those monies to the Clergy Retirement (AICF) Fund, they will be warmly welcomed.

# 12

**"What about funding the backlog gap?**

**Why not pay-off the £7M-£8M from the Centre and leave parishes alone?**

**Why not just use the investments listed in the Archdiocesan Accounts to pay-off the backlog? There appears to be plenty of money there."**

The key focus of the AICF webinar on 31 Aug was communication of the cultural change and approach to parish-based regular clergy retirement contributions from 2022.

The funding approach to address the historic backlog of £7M-£8M was only mentioned in the webinar – the detailed approach to raising these funds is under analysis.

Note 20 in the Accounts shows the allocation of the investments across the restricted funds (including AICF investments and other restricted funds) and unrestricted funds.

The detailed balance sheet in appendix 2 of the Accounts separates the assets of parishes and central funds. There are significant amounts “on loan” from parishes to central funds, some of the investments are required to cover these loans and pay interest to parishes.

- £3.8m of investments are restricted funds which cannot be redirected to other purposes.
- Many of the general fund investments (circa £7.3M) would have to be sold if / when Parishes need repayment of loans to Central Funds.

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Right now, the centrally owned investments (after excluding those above) are essential reserves. Contributions from Central funds to the clergy retirement fund will still be needed. Indeed, in the next year or two, there will be an increased demand on Central funds for both operational and retirement 'gaps' due to Covid-related reductions in income across the entire archdiocese.

As shown in the Webinar, £1,628,000 has been transferred from Central General Funds into the AICF over the past 6 years, which resulted in a deficit in the General Fund.

Therefore it is clear that central funds are not adequate to cover all other purposes, provide reserves for the Archdiocese (which have been used to allow the amounts of parish assessment to fall in line with parish income during lockdown) and continue to fund clergy retirement allowances.

A shortfall in General Funds would need to be covered by an increase in assessment.

Total income to General Funds and AICF needs to increase. Current assessment rates are 40%-50% less than in the other Scottish Dioceses.



# 13

## "Where will parishes regularly get £500K/year from? How do we get to 500k a year?"

Mass attendance in 2019 across the Archdiocese was 21,650. £500k is £23.09 extra per person per year (45p per person per week, £1.93 per month), when donated direct to the AICF.

From 2022, increased or extra parish donations from any parishioner will both generate extra income for their parish and contribute a portion of that to the AICF – both are much-needed. New income is required. This £500K per year is an achievable target figure - if we work together and prioritise.

Options A, B & C presented in the Webinar are the proposed methods to target £500K per annum from parishes. Option A was used in Jan-Feb 2021 for the Archbishop's phone call requests and (thanks to the generosity of all contributors) exceeded the £500K target contribution, but over time assets / reserves in many parishes could struggle to maintain this contribution.

Options B&C are percentages of income therefore will vary with total income per parish. The calculations were based on (pre-Covid) parish income in 2019 which would return close to £500k (after an arbitrary 10% reduction for affordability). In the short term, Central funds / reserves will need to compensate for Covid impact on parish income – both for operational and retirement expenditure. There is work to be done to encourage our regular parishioners to return to church post-Covid, alongside ongoing evangelisation.

Any one of these options should replace the long-standing annual AICF special collections and move clergy retirement into the normal regular expenditure of any parish.

The laity are key to addressing this clergy retirement funding issue, as they are to reversing the decline in numbers attending church.

**14**

**"Many parishes are very poor, together with the repairs required from the recent property surveys how can we afford clergy retirement too?"**

As shown in the chart of Disparity in the Webinar, some parishes do need to prioritise expenditure in line with the income available. The responsible role of Finance Committees in each parish (and centrally) is key to assist with this prioritisation. A few parishes are already struggling to pay the

operational assessment and affordability will be considered. Property repairs can appeal for grants and external funding. Clergy retirement cannot. Regular AICF Contributions are being sought from parishes as 'employers' and beneficiaries of clergy service.

**15**

**"When will we be given updates on the AICF position?"**

An AICF Communications programme is being scheduled within the overall AICF Project Plan. The overall appreciation for the Webinar (even with its difficult message) has indicated that such communication on an ongoing basis (possibly six-monthly?) would be of benefit to everyone.

The optimistically intended communication to non-committee parishioners & interested potential donors mentioned in the Webinar will be deferred to Spring 2022 as part of the next AICF communication phase. The new parish-based contributions need to settle first.

**16**

**"Considering regular parish-based funding for the AICF using an income-based approach mentioned in the Webinar, how often would these rates be reviewed?"**

We will look at our financial position at the end of every financial year, but we expect to undertake more detailed reviews every five years. This review would consider both operational and retirement income.

**17**

**"Do we have any information how minority groups are participating with church finances and are they considered as a part to help with this?"**

Minority groups should be included within the parishes they attend for all aspects related to parish life. Some groups attend masses in a different language or rite or hosted by a specific community of priests, but all are linked to parishes and all are part of this Archdiocese.

Of course, all parishioners and all groups within a parish are welcome to join the fundraising effort to address this long-standing issue.

# 18

**"Why are the other dioceses better than us at clergy retirement funding?  
Can we not pool funding / retirement resources across Scotland?"**

Under Canon Law each diocese is independent, and each bishop is responsible for his own diocese. This is not a structure that laity expect, based upon our business world experience.

Findings from a comparison with the Archdiocese of Glasgow shows:

- Parishes there pay assessment of 36% avg whereas in Edinburgh it is 17% avg.
- Glasgow consistently raise £250,000 every year through special collections on every Sunday during Lent.

Either proposed increase in assessment for our Archdiocese (per the Webinar options), would still be lower than in Glasgow.

Given that some Scottish Dioceses appear to have been using contributions to build up funds when our Archdiocese did not do so, it would be difficult to persuade them that they should share their resources to pay our liabilities, and parishioners in their parishes are unlikely to be supportive.

# 19

**"Is it your intention to reimburse the central fund for previous expenditures for the AICF?"**

Absolutely not. Historic decisions made to sell the 'family silver' assets from the centre to meet clergy retirement expenditure enabled retired clergy to live, albeit by adopting a short-term and unsustainable funding approach.

Recovering that spent money from parishes to the Centre is a fruitless exercise. We are one charity and one church, not rival businesses. We need parishes open for our parishioners.

# 20

**"How long will it take to achieve a fully funded clergy retirement (AICF) fund?"**

The planned regular annual contributions from parishes will prevent the funding gap from increasing and prevent the fund from running out of money in the foreseeable future. Central funding will be required to top-up Covid impact (on both operational and retirement costs) as reduced parish income is expected in the short term.

Closing the funding gap (getting to full funding) will require additional donations

(for example, from Parishes with large balances, from property sales, from legacies or many one-off donations). Donations from Central funding will need to be part of the solution too. How long that will take depends upon the timing of financial response to this challenge. This is a long-standing funding issue which is not expected to be fully resolved soon.

**21**

**"Are there not operational efficiencies which can be made centrally before asking parishes for more money?"**

There were several significant changes made in the Curia in 2017-18 which sadly resulted in several job losses – some voluntarily and many by redundancy. The Curia is now most appropriately staffed and organised.

Efficiencies in the management of the AICF were achieved with the AICF transformation in 2019. These were process

-related and legal, not financial savings. Notably, since June 2019, clergy retirement (AICF) is governed by the AICF Trust Deed, written in Scots Law.

This replaced the outdated AICF Constitution which was 'confused and confusing' and was no longer fit for purpose.

22

**"Gillis looks like a very valuable property asset and expensive to run. Have you looked at option of selling off this site and moving to somewhere smaller, more modern and more cost effective?"**

We look at all assets, as Finance Committees do in parishes. Having sold the 'family silver' (assets) over at least 50 years, we know that selling an asset may buy us another 4-5 years of clergy retirement only to reach the same position.

Selling Gillis is not the solution. Properties and other assets will be managed appropriately as part of an overall view of assets and liabilities and no longer in a piecemeal & reactive manner.

23

**"How do we know AICF contributions will be used for clergy retirement and nothing else? Is the AICF money protected - for example in the event of the Archdiocese being sued for a large amount?"**

Clergy retirement funds are placed in a restricted account and managed by the Trustees as a pooled fund rather than incurring extra costs and losing investment (should the retirement fund for any priest be lost when he dies early) – as now. The clergy retirement fund continues to be held separately from the operational funds

of this charity. As explained in the Webinar, the clergy retirement fund, as a restricted fund, continues to be of specific interest to the external auditors in their annual audit (as are the other restricted funds). The AICF Fund has its own Trust Deed (since June 2019), so its assets are legally restricted for use on clergy retirement.

## 24

**"Why not plan to sell some assets when clergy retire rather than impose full ongoing retirement expenditure on parishes?"**

The Archdiocese is asset-rich and there are no external liabilities, so we are in a better position than most organisations.

However, the assets are governed by both Canon Law and Scots Law, so what at first glance appears a simple choice can be quite complex in reality.

No organisation should plan to sell its assets on a regular basis in order to fund its staff retirement provision. Any going concern would only sell its assets to fund

retirements in an absolute emergency. This archdiocese has been doing just that in a reactive and unplanned way over many years.

Ordinarily, asset sales are planned to fund retirement costs by the liquidators – a position we plan to avoid.

New (increased) income to the AICF is essential on a regular ongoing basis to properly address clergy retirement funding.



25

**"How do you intend to ask for individual donations and assist parishioners to organise future legacies?"**

Local community fundraising efforts are best managed at parish level or by a group within a parish – these funds could be specifically for the AICF (as a one-off donation), or as a contribution to the parish with some monies being passed on to the AICF with the regular annual parish-based contribution (ie part of the £500K per annum target across all parishes).

Individual donations or future legacies to the AICF do exist. We need & welcome more of them – either regular standing orders or one-off donations. AICF Account

details are available later in this pack. As this type of donation would be direct to the AICF and independent of their parish, we intend to communicate from the centre direct to interested individuals. But we are open to alternative suggestions.

The optimistically intended communication to non-committee parishioners & interested potential donors mentioned in the Webinar will be deferred to Spring 2022 as part of the next AICF communication phase. The new parish-based contributions need to settle first.

## 26 "How can we help?"

Regular funding contributions are required from parishes for the Clergy Retirement (AICF). This is a change for parishes who are already experiencing a steady decline in congregation or attendance numbers. Covid lockdowns and attendance caps in recent years have probably made this decline worse.

As shown in the Webinar, there is a huge disparity in wealth / income across the parishes of this archdiocese. Some poorer parishes cannot afford additional expenditure, some wealthier parishes cannot readily afford to support the poorer parishes on an ongoing basis.

The laity can help in growing the parish community and congregation by, for example, encouraging lapsed Catholics to join them for church service(s). Fundraising church socials can also encourage people to reunite with their church community - whether by donating goods or by attending the social or both.

Small steps can make a significant difference over time. Such steps will develop the parish and benefit its own community (as well as the AICF).

**27**

**"If parishioners wished to set up regular donations directly to the AICF by standing order how do they arrange this?"**

The AICF bank details are:

**Account name**

"The Aged and Infirm Clergy Fund of the Archdiocese of St Andrews and Edinburgh"

**Sortcode**

80-46-61

**Account number**

10768765

Should you wish any further information such as Gift Aid or Standing Order forms, please do not hesitate to contact:

*The Finance Team, c/o Gillis Centre, 100 Strathearn Road, Edinburgh EH9 1BB*

**28**

**"Are direct contributions to the AICF Account eligible for Gift Aid?"**

Yes. AICF Special Collections and donations to the AICF are eligible for Gift Aid. For any new donor, it is recommended that a Gift Aid form is completed (to avoid any doubt).



**29**

**"All parishes will have to be asking their parishioners for money for AICF but would that come in the form of an official notification to be read out?"**

The Options shared in the Webinar are for regular parish-based contributions to the AICF.

Which option will be adopted for 2022 onwards will be confirmed before the end of this year and communicated to every parish.

The action for parishioners is to contribute more to the parish in their regular standing orders or cash collection or online donation. Donations direct to the AICF from individual parishioners are part of a separate communication (kindly refer to an earlier answer in this pack).

30

**"Have we considered and compared the remuneration methods in other churches? i.e. Church of Scotland or do they have similar issues?"**

Episcopal Church Stipend is £27,000 per year plus housing costs and pension contributions of £9,000 per year. The clergy are in a full pension scheme which has already been properly funded over many years.

Church of Scotland charity structure is very different to ours – each church is an individual charity with their own reporting to OSCR, safeguarding, HR, regulatory & legal responsibilities. The parishioners for each church are expected to cover all costs (or close the church if they cannot afford the costs).

The Church of Scotland operate a formal Defined Contribution pension for their ministers as they receive a living income.

**The Catholic church differs in that:**

- We have one umbrella charity for the whole archdiocese, so the centre manages all of the OSCR, safeguarding, HR, regulatory and legal workload for all parishes.
- Clergy are unmarried and do not have families.

Continued...

- Food and groceries are paid by the parish.
- Clergy receive a small allowance per month.
- In our Archdiocese cars generally belong to the Parish.
- Poorer parishes are regularly supported by those with greater income / wealth.

Nonetheless, our actuarial estimate of £10K per priest per annum for clergy retirement is reassuringly similar to the £9K per annum contribution to a well-funded pension scheme existing in the Episcopal church.



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