



AICF Assessment

Your questions answered



ARCHDIOCESE OF ST ANDREWS & EDINBURGH



Introduction

This document answers questions arising about the Aged and Infirm Clergy Fund (AICF) Levy/Assessment, introduced by Decree 09/22* following its introduction in 2022. This document was first issued on 20 February 2023.

* Decree 09/22 can be read [here](#)



"When the Archbishop asked for money last year – was there an indication that this would become an annual levy?"

Answer

The following communications have ALL stated there would be an annual levy for clergy retirement:

- AICF Review and Clergy Retirement Scheme papers for AICF EGM of 5 June 2019.

Covid impacted the full communication and initiation of these intended levies. By early 2021, on behalf of the Trustees, the Archbishop took the unprecedented step of inviting all parishes to contribute to cover the upcoming AICF expenditure.

- The Pension Crisis Committee was formed to consider best way forward for clergy retirement funding and identified three options for regular contributions (Feb-June 2021)
- 'Facing the Challenge' Webinars of 29 July 2021 and 31 Aug 2021.
- Webinar FAQ issued end Oct 2021.
- Archbishop's letter of 21 Dec 2021 confirmed Option C from Webinar to apply from 2022 onwards.
- Decree of Sept 2022.



"Has an explanation been given of how long this levy will be in place?"

- This is a specific levy to cover clergy retirement costs, therefore it will be in place for as long as we have incardinated clergy.
- The parish contribution to clergy retirement has been described as a regular payment similar to utility payments.
- The AICF Levy rate and amounts requested will be kept under review.

"Does the AICF levy replace the AICF special collections?"

Yes, as confirmed in the Webinar FAQs point 13, issued Oct 2021 and in the Decree 09/22, clause 13 issued Sept 2022.

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"Why was there no negotiation with parishes before this levy was imposed?"

- According to Canon Law, it is the parish priest or administrator who has responsibility for parish finances. Parish Priests were consulted at the webinar for all parish priests 29 July 2021 after which an indicative vote was taken.
- Finance Committees and Parish Council representatives were consulted at the webinar on 31 Aug 2021. An indicative vote was taken at this webinar – all attendees were invited to vote.
- The consultation before the publication of the "Decree 09/22 Clauses 10-12" followed due Canonical process.





"Note 17 of the 2020 accounts says that further meetings (at Deanery level) with lay representatives would take place. Have these taken place?"

- Due to continued Covid restrictions these meetings became the webinars undertaken in summer 2021.
- Meetings between the Archbishop, the Trustees and the Director of Finance and Parish Priests and a Representative of each Parish Finance committee are being arranged on a Deanery by Deanery Basis for March 2023.

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"How can a parish finance committee explain the removal of funds from a parish for the payment of the AICF Levy – without sufficient explanation?"

- The explanations were provided and the diocesan levy comparisons made in the Webinar and associated FAQ materials of 31 August 2021 and end October 2021.
- This material was prepared precisely to explain the history of the underfunding of the AICF and the challenges faced in this Archdiocese in paying clergy retirement allowances. Funding solution options, including parish-based regular funding, were discussed.
- Finance Committee representatives were issued with an electronic link to the Webinar presentation on 1 Sept 2021, along with a copy of the slides and a summary handout. The same representatives were later issued with an electronic copy of the substantial FAQs pack-compiled from the questions raised before, during and after the Webinar.
- These materials were issued for use by Finance Committees to explain the AICF Levy and its context to parishioners.
- If additional copies of these materials are required, they can be provided.

"Section 4.3 of the 2021 Archdiocesan accounts implies that other options (other than a Levy based on parish income) were considered. Is this true?"

The AICF underfunding is a long-standing issue which was communicated in the 'Facing the Challenge' Webinars of July & August 2021. Summary points are stated here again in case that material has since been misplaced:

- A levy on parish income should have been put in place at least 50 years ago (1972) when AICF expenditure began to exceed income.
- Funding for retirement in all sectors is generated by setting aside, and investing, regular amounts whilst a person is actively working. This standard approach has, however, never been applied in this Archdiocese.
- Over the last 50 years, many central assets (the "family silver") have been sold to fund clergy retirement. These sales have merely satisfied "the next few years" of AICF expenditure. This approach is NOT sustainable.
- The annual or twice-annual AICF special collections in parishes were a wholly inadequate (and indeed unreliable) method of generating the funding needed to cover AICF expenditure.

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- The historic Clergy Levy was similarly inadequate.
- Following the Actuarial Review of 2014/15, rather than impose a levy on parishes, an alternative approach, of shuffling investment income from central funds to the AICF for the period 2015-2019, resulted in a deficit in the operation of the Archdiocese. Again, not a sustainable approach for the archdiocese as a going concern.
- The Actuarial Review of 2018 estimated that it would be necessary for every parish in the Archdiocese to pay £10K per annum per priest in order to be able to meet the liability of future retirement allowances for priests who are still working. In 2021, therefore, this sum (£10k per parish), after adjustments for affordability, was sought from parishes.

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- In 2021, the Webinars offered three options for a parish-based levy. The approach that was selected for this levy best reflects the disparity of parish income / wealth across this archdiocese - where a one-solution-fits-all approach will not work.
- In 2019, the Trustees decided NOT to try to address the gap between the amount that should have been raised in the last 50 years to fund a clergy retirement scheme (i.e. a "pension pot" whose interest would pay all the required "retirement allowances" going into the future) and the actual amount raised. To do so (based on 2018 Actuarial Review projections) would have required an excessively high contribution from each parish (£25K per priest per annum). The Trustees decided instead to address this historic backlog gap as a separate fundraising activity (as

communicated in the Webinars). The Trustees agreed to postpone this fundraising in 2020-2021 due to the impact of Covid and again in 2022 due to War in Ukraine / cost of living pressures. The scale of this historic backlog gap is closely aligned to the Actuarial Review outcomes. In 2023, it is prudent to understand the results of the latest 2022/23 Review before actively seeking this funding.

- Additionally, last year, the Trustees introduced a windfall tax on parish property sales which will benefit the AICF – Decree 08/22.
- With the spread of communication on the AICF funding issue, legacy contributions will hopefully increase. As in the distant past, these can greatly assist funding but their timing and amount is unpredictable.

"How many retired priests benefit from the AICF and what is the allowance for priests?"

This information was listed in the Webinar as at August 2021.

However some retirees have since died, some active priests have retired and clergy allowances have been amended. Here are the latest figures:

- As of November 2022 there are 25 retired priests.
- The AVERAGE clergy retirement allowance from the AICF is £14,000 per annum.
- As of 1 Jan 2023, the full AICF Allowances awarded for a retiree over the age of 75 and after serving 40 years are: Living allowance £7,197 per annum, Rent allowance £6,144 per annum plus Council Tax of £1,000 (average). These awards are comparable with clergy retirement awards in other Scottish Dioceses.

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"Many parishioners are pensioners. Is it true that priests receive more in AICF allowances than pensioners receive in the state pension?"

- Clergy who have paid National Insurance receive the State pension at the same age as parishioners.
- The majority of currently retired clergy receive the basic state pension, as do parishioners over the age of 71 years.
- The new state pension, which is more generous, is received by those parishioners under the age of 71 years. There are a very few retired clergy in that age range who retired early due to ill health.
- AICF allowances are the equivalent of 'workplace pensions', which many pensioners also receive over and above their state pension.
- The clergy retire at a later age (75 years) than the vast majority of parishioners (55-68 years), so clergy retirement allowances start many years later than typical pensioners.
- When they finally do retire, clergy move from 'tied accommodation' and a very modest income into accommodation with no ties – this 'new start' is very different from most parishioners and pensioners.

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"How have the current liabilities of the AICF been calculated?"

The Trustees employed the professional services of an external firm of actuaries to size the AICF liabilities – in 2013/14, 2017/18 and again in 2022/23.

The 2022/23 Review is still underway, so AICF liabilities used recently and in the Webinars are from the 2017/18 review.



"What are the calculations behind the flat fees requested of parishes?"

We assume that "flat fees" here refers to the '£10K per priest' used as a baseline amount for the emergency AICF contributions invited in 2021.

- The calculation behind the flat fee was made by the Actuaries in 2017/18 and shared with clergy for the AICF EGM of June 2019.
- There were NO AICF funding requests made of parishes in 2020 due to Covid impacts.
- The flat fee was subsequently tailored on a parish priest/administrator basis using the Net Assets balance across the churches/parishes under his care in June

2020. The result, as explained in the Webinar, was requested by the Archbishop in early 2021 from each parish priest / administrator – being an amount ranging from £0 to £20K; the majority of parish priests / administrators were invited to contribute £10K.

This 'flat fee' was included in the Webinar of August 2021 as 'Option A'.

"Have the calculations been shared with parishes before now?"

As advised in the Webinar of August 2021:

- Permission was sought from the Actuaries to share their report beyond the Trustees who had commissioned it.
- An offer was made to all parish priests/administrators (as the person responsible for parish finances) to review this report.
- Several parishes then requested to see these calculations and their representative(s) have been stepped through this report by the Director of Finance.
- Many parishes did not take up the offer.

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"The Archdiocese gave notice of the AICF levy in December 21 but only communicated the amounts requested in Sept 22. Why did it take so long to communicate the figures?"

- The AICF levy is calculated as a percentage of the previous year's offertory income from the audited accounts (in exactly the same way as the general or operational assessment is calculated).
- The Archdiocese is one single Charity (Registered in Scotland ref SC0008540) therefore the Annual Accounts for the Archdiocese necessarily incorporate financial returns from ALL parishes across the Archdiocese plus central areas. This process takes time.
- The financial year end is 31 December, then Parish Returns are submitted and sample parishes are audited, along with the Central audit, finally the audit report is signed off and the data can be used.
- The audit of 2021 Accounts was delayed due to staffing issues at some parishes (staff retiring and illness)- this meant the next few listed parishes were selected for the parish sample audits at short notice.
- These factors delayed the normal timetable for delivery of Annual Assessment invoices.
- The canonical process for the AICF assessment decree was completed in September 2022.

"Why was a firm of actuaries only tasked with a review of the requirements of the AICF in 2022? Why was this not done before?"

- It is accepted good practice to commission an actuarial review every five years or so. The previous Actuarial review was in 2017/18. This review in 2022/23 is, therefore, not late but on schedule.
- Costs are incurred to produce these reports and the five year cycle seeks to keep these costs to a minimum.
- Refer to Webinar FAQ point 10, issued Oct 2021.
- There have been many changes since the previous Review:
 - Transformation of the AICF Organisation – Welfare/Scheme/Legal.
 - Global financial environment swings.
 - Clergy numbers due to incardinated clergy deaths (active and retired) and ordinations.




"Has the removal of the one-off payment to retiring priests been factored into your calculations?"

- This change to Clergy Retirement Grant entitlement was agreed in October 2022, and effective from 1 January 2023.
- This was a change from automatic entitlement to a means-based entitlement.
- The revised Clergy Retirement Scheme rules have been passed to the external firm of actuaries for inclusion in their projection calculations.
- This change is therefore included in the 2022/23 actuarial review.



"Is there a minimum income limit below which the levy is not applied?"

- The income bands and levy rates are all included in the Canonical Decree published in Sept 2022.
- This Decree (09/22) is publicly available on the Archdiocesan website under Administration > Chancery > Decrees. Or click [here](#).
- The parishes with lower income receive a lower AICF levy rate.
- As stated in the Decree 09/22, the AICF Levy will be reviewed on a regular basis.
- The rate of the levy will probably change over time as the AICF underfunding issue is addressed and for any related significant changes (for example in the number of incardinated clergy – active or retired).



"Was an 'impact assessment' undertaken for parishes before the AICF Levy was introduced? Can you give details of this impact assessment?"

The overarching impact assessment for the introduction of this AICF levy for parishes was shared in the 'Facing the Challenge' Webinars of July & August 2021.

- New income is required in parishes for the AICF Levy (and other expenditure).
- Careful prioritisation of expenditure is required.

This overarching impact assessment was made in the following context:

- Grants from common sources are not available for clergy retirement funding.
- Former selling the 'family silver' approach to funding is unsustainable.
- Main regular income source for the AICF is contributions from parishioners.

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The annual cost per Priest of making provision for living costs in retirement was assessed by external actuaries in 2018 as £10,000 per Priest. Because parish incomes vary significantly the AICF assessment was set using a progressive or tiered percentage charge on income, so that parishes with higher income pay a higher percentage. This approach was based on internal assessment of the variation in parish income and informed by discussion of options at the 2021 Pension Crisis Committee and subsequent webinars, including feedback from those attending.

The resulting 2022 AICF assessment range is between £292 and £25,000. So the use of the progressive or tiered percentage charge on income has lessened the impact on those parishes with lower income.

In reality, Parish Finance Committees will be better able to assess the impact for their own parish since the 2022 assessment invoices were issued. Statements in monetary amounts bring a focus and understanding that percentage rates simply cannot.

"How have each of the tiered percentages been calculated?"

The aim of the AICF Levy, as shared in the Webinar of 31 August 2021, is to raise £500K per annum for the AICF. Current AICF annual expenditure is around £400K. Additional factors to consider:

- There are active clergy who are already beyond the official retiral age.
- Some active clergy may need to retire earlier for health reasons.
- This Levy is a percentage of offertory income which varies year-on-year.
- Congregation numbers are in general decline.
- Some congregations have still not returned to pre-covid levels.

The tiered AICF percentages have been calculated relative to the general assessment tiers and the target annual amount for the AICF Fund.



"Why have current tiers for the Archdiocesan Assessment been deemed appropriate for the AICF assessment?"

- The current tiers have been used over many years for the General or Operational levy / assessment from parishes and already reflect the vast disparity of offertory income across this archdiocese.
- Therefore these tiers are an obvious measure to use as a basis for the new AICF levy.

"What percentage of the AICF Levy is being used for retired clergy?"

As previously stated in the Webinar FAQ pack (point 23), 100% of the AICF levy will be used for clergy retirement.

"Are the funds raised by the AICF Levy being used for any other purposes?"

No.

"Can you confirm that the funds raised will only be used for the currently retired and future retired clergy?"

- Yes. These monies are deposited into a restricted fund, the AICF fund, which can only be used for clergy retirement purposes.
- Restricted funds are audited every year by a firm of external auditors, in line with Charity Law.
- Further, the AICF Fund falls within a dedicated Trust Deed written in Scots Law. This Trust Deed formed part of the AICF Transformation in 2019 and is significantly more robust than its predecessor.



"What happened to the money raised in 2016 when a clergy levy was raised? What was this money spent on?"

The Clergy Levy is a little-known historic arrangement which was not well documented.


- Money raised for the 'clergy levy' has been tracked into the AICF Fund as it was intended for clergy retirement.
- This Clergy Levy was typically a relatively small amount (for example in 2019 it was an average of £380 per parish).
- Given the historic low balance of the AICF Fund and the relatively small income from clergy levy, it will have been spent on clergy retirement in the following year.
- The new AICF Assessment replaces both the former AICF special collections AND the Clergy Levy, which many parishes did not contribute to.

"Why are you prioritising AICF above other funding priorities in the Archdiocese?"

The long-standing AICF underfunding is one of the significant financial priorities of this Archdiocese. There are, of course, several other significant financial priorities, however this one relates directly to the wellbeing of those clergy who have typically served this archdiocese for over 40-45 years.

Other funding priorities such as property repairs, even major ones, can be potentially funded through external grants or charity funding. Clergy retirement, however, does not have any opportunity for external funding sources.





"Have alternative fundraising strategies (like professional fundraisers) been considered?"

- Alternative fundraising strategies for the AICF underfunding have not just been considered but tried and tested over many years with flawed results. Refer to the reply for Question 7.
 - Fundraising strategies to address the AICF backlog gap are still being considered.
 - Professional fund-raisers have been discussed in this latter capacity and feedback sought from other charities where they have been used. This feedback is very varied.
 - Understandably, the professionals charge fees for their services.
 - They typically seek direction from their clients on target groups/individuals.
 - There are many reports of overly-aggressive approaches by these professionals (on occasion) to achieve targets or maximise returns.
- Should the Finance Committee of any one parish wish to employ the services of professional fundraisers in order to fundraise for their parish finances/property repair/charitable giving, they would be advised to consider the risks carefully before doing so.

"What has the response been to the AICF Levy? Are you really 'delighted' by the response?"

- As shared in the Webinar of August 2021, the generosity of many parishes to the invitation for urgent AICF funding in early 2021 was very generous – several parishes contributed more than was requested.
- However, the response from one or two parishes in 2021 was disappointing and was difficult to reconcile with their own stated desire to support retired clergy.
- The response to the new AICF levy has understandably been one of quiet hesitation as the reality of the levy dawns. Nonetheless most parishes are contributing and growing the AICF balance which is both heart-warming and encouraging – especially in these difficult economic times. So yes, a great achievement and much-appreciated response from the majority of parishes thus far.

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- A few parishes have sought further clarification, especially those who missed the Communication programme in 2021 or who do not yet fully appreciate this new task. They will contribute in due course, as their questions are addressed.
- Addressing the challenge of the underfunding of the AICF, a problem which has been developing for 50 years, remains a work-in-progress. This is not an easy task or it would have been fixed long before now.
- Are the steps now in place making a difference to the AICF balance? Yes – slowly and steadily. Is that a good response? Yes. Is there room for improvement? Yes.

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"Was the AICF EGM properly constituted?"

Presumably this question refers to the AICF EGM of 5 June 2019. Legal advice was sought from the Diocesan Solicitors and Canon Lawyers and – yes – it was constituted properly.





"Is it true that a parish with an income of £10k will be left with only £683 per month to spend on running the parish?"

- For parishes with annual £10K income, the general assessment is 10%, which is £1000 per annum or £83 per month; the new AICF levy invoiced 8%, which is £800 per annum or £67 per month. This leaves the parish with £8,196 per annum or £683 per month.
- This is an example of one of the poorer parishes in the archdiocese and highlights why tiered assessment rates are used across the archdiocese.
- This parish continues to be heavily subsidised by wealthier parishes for the general assessment and now additionally the AICF assessment.
- That said, the AICF levy has exacerbated an existing economic challenge here and this position will be considered in the annual review of the AICF Levy mentioned in the Decree of 09/22.
- A parish of this size is typically part of a cluster with 1 or 2 larger parishes, sharing a Priest, so that the living costs of the Priest and running of a Presbytery are largely borne by the other parishes.

"If the Archdiocese continues to levy this amount – how will we pay for repairs etc?"

The Decree of 09/22 states that the AICF levy will be reviewed annually.

This levy has been newly introduced, is being monitored closely and will be reviewed in the first six months of 2023. Should any amendments be required, they will be recommended to the Trustees for consideration.

As explained in the Facing the Challenge webinars of July/August 2021, the introduction of this levy is essential to fund clergy retirement properly. The impact of this new levy will mean the raising of new income and the prioritisation of expenditure (refer Webinar FAQs points 13 & 26). Parish finance committees and parish communities working together for their parish is more critical now than before.

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Over time, the AICF Levy rates to be raised from parishes may change (up or down) depending upon several factors:

- The balance on the AICF Fund becoming healthy (which may take a long time).
- Clergy numbers.
- Financial environment factors.

In this Archdiocese, a parish 'loan' system exists (rather than having to apply for any external finance).

Wealthy parishes loan surplus funds to the Centre and receive interest on their loan amount. Should a poor parish have a large building repair, when permission for that property repair (over £9K) is sought, a loan from the centre to contribute towards it can be requested. Obviously, the loan is expected to be paid back in due course so that the donor parish can obtain access to their loaned monies, as and when required.