

Moderator, Ladies and Gentlemen

I wish to start by conveying the apologies of the Chairman of the Pension Trustees, Stuart Stephen, who very much regrets that he is unable to be with us today. That is the reason you have to put up with me instead.

My task over the next few minutes is a challenging one – it is to make the subject of Pensions so enthralling, that you will all be on the edge of your seats, and you won't want me to stop. Wish me luck with that one!

I can however start with good news, which is always welcome. The Church of Scotland Defined Benefit Pension Schemes for which the Trustees have responsibility, are all in a very financially sound position, being in surplus and even more healthy than they were at the end of 2022. This means, in essence, that the amount of money held by the schemes is sufficient, or indeed slightly more than sufficient, to pay the anticipated pensions of all the members. The figures can be found in Section 1.1 of our Report.

Section 1.2 of the Report gives details of the discretionary increases which the Trustees have been able to apply to benefits in the Ministers' Schemes.

As will be seen from our Report, the Trustees continue to have a strong focus on responsible investment, and this is an area which is monitored frequently to ensure that our investment policy continues to deliver the best possible returns whilst also being as sustainable and "green" as possible.

National and international events continue to affect the volatility of financial markets, and the prospect of a General Election some time between now and January next year will add to fiscal uncertainty. Nevertheless, the low-risk approach taken to investment by the Trustees, in conjunction with our financial advisers, means that, going forward, we expect that the assets of the scheme will match the liabilities.

The Trustees have spent considerable amounts of time over the last few months considering what the long-term strategy should be for the Schemes. Changes in strategy that could be considered, for securing the Schemes even further (what we call de-risking) include moving to a "buy-in" where a portion of a Scheme's assets can be transferred to an insurance company, which reduces exposure to risks such as longevity, interest rates etc. A further step would be to move to "buy-out" where there is a complete transfer of all the Trustees' obligations to an insurance company, and the Scheme is wound up.

The Trustees have not made any decisions as yet on whether such de-risking is the way forward for some or all of the Schemes. A Working Group with representatives of the Church, as the employing agency, and the Assembly Trustees, has been set up in the last few months, to consider all aspects of any strategic changes that might be possible, and this Group will also consider whether running some or all of the Schemes on in their present form is in the best interests of the Scheme members.

The Chair of the Trustees and myself have held regular, positive meetings with the Church's Chief Operating Officer and General Treasurer to discuss both strategic and operational matters, and these two individuals have also been able to attend some of our meetings so that we can discuss issues of mutual concern in a collaborative way.

All Pension Schemes are currently facing a number of challenges due to changes in legislation and increasing requirements from the Pensions Regulator. Current work is being undertaken to look at

how the Church of Scotland Schemes conform to a new Code of Practice. This in effect consolidates a number of previous codes on different areas of operation. We are confident that we are in fact doing most of the things that are required by this code, but we still have to be able to demonstrate this by ensuring that all our procedures are fully documented, and this will involve a significant amount of additional work.

Following this we will be required to do a further body of work in preparation for Pensions Dashboards which is a Government initiative which will change how savers access their pensions facts and figures, allowing people to see what they have in their various pensions – including their State Pension – in a single place online, at any time they choose.

Turning now to good governance, we undertook an exercise last year to review the provision of audit services of our schemes. We were disappointed that only a very few audit firms were interested in tendering for the contract, one of which was our existing auditor. We asked all those firms tendering to provide us with written details of their proposal, with costs etc. We then had face to face interviews with two firms – again one of which was our existing auditor. The interview panel was satisfied that our existing auditor offered the best proposal for our scheme, and they were therefore re-appointed.

This year we will be undertaking a review of the provision of legal services to the Trustees, again down to good governance and just to reassure you that we retain the greatest confidence in our current legal advisers Burness Paull.

We are very aware that for many people the subject of pensions is one which may come into the category of “too difficult to think about”, but we would urge everyone to try and take a more proactive view. Maybe you are like the person who said “One day I’m going to retire and live off my savings. What I’m going to do on the second day, heaven knows!” Ten years ago, I was one of those people – I knew I had some pension provision, but I didn’t really understand what that would give me when I retired, or how I might improve my future benefits by making additional contributions, for instance.

Our fantastic team, in 121 George Street, led by Jane McLeod, our Pensions Manager, will give you information and guidance and set out various options available to you. They are not allowed to give you regulated financial advice but they can tell you what your options are and what you might consider - what they can't do is tell you what you should do. Additionally, if your options are still not clear to you, or you have other pensions to take into account, we would urge you to consider using the Government's free to use Pension Wise advisory service. This is available to anyone over 50 with a UK based Defined Contribution Pension Pot. Pension Wise can also explain when you may benefit from regulated Independent Financial advice, such as when your financial affairs are complex or you feel you need help with your wider finances. You can also go straight to an Independent Financial Adviser but do consider visiting the Citizens Advice website first as they have a good guide on how to find an IFA and how to approach your first meeting.

Unfortunately, there is a some not-so-good news. Over the last few years there have been a number of changes to legislation affecting pensions, and some of this has had the unintended consequence of giving unscrupulous people even more opportunities to operate pensions scams.

Sadly, there are stories in the press every month of someone who has been robbed of their life savings, or their whole pension pot, by one of these, often very clever scams, which can sound extremely convincing.

The most important thing to remember is that an offer which looks too good to be true, probably is.

If someone approaches you and tells you that they can give you a fantastic return on your money if you move to their scheme, or that you should transfer your pension pot to an unknown bank in a far-off location, and that you must do it within 24 hours, you should ALWAYS, ALWAYS, take independent and reliable advice at the earliest opportunity.

Once again, we would urge you to contact our Pensions Team, and if warning bells ring with them about an offer you have received, they can certainly suggest ways in which you can get good, professional and accredited advice and support.

Over the last year a number of Trustees have retired, and I would like to take this opportunity to thank them all for their hard work and dedication. The healthy financial position of our Schemes is in large part due to the insight and expertise that these individuals have provided to the Board over the years. We have been very fortunate in being able to recruit some highly experienced and skilled individuals to replace them, some of whom are here in the hall today, or are watching online, and we look forward to working with them as we face the new challenges that will inevitably arise. We currently have one Trustee vacancy, for the Ministers' scheme, and if anyone here, or watching online, would like to be considered for this, please either contact myself, or Jane McLeod, our Pensions Manager. We are a very friendly group, and full training is given to new Trustees to equip them for the role.

Moderator, I am not a Commissioner, so may I please ask the Principal Clerk to move the deliverances?