

36. Methodist Ministers' Pension Scheme (MMPS)

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Resolutions	<p>36/1. The Conference receives the Report.</p> <p>36/2. The Conference notes the increases to pensions in payment from 1 September 2020.</p> <p>36/3. Subject to the outcome of the consultation with affected members and the consent of the Methodist Ministers' Pension Trust Limited, the Conference resolves to amend the rules of the Methodist Ministers' Pension Scheme to close the scheme to participation by "sector employers" with effect from 31 August 2020 and delegates authority to two members of the Methodist Council to finalise and execute the amendments required to the MMPS Rules to implement this.</p> <p>36/4. The Conference delegates authority to two members of the Methodist Council to execute the required deeds for the flexible apportionment arrangements that release the "sector employers" from their pension debt liabilities under section 75 of the Pensions Act 1995.</p> <p>36/5. The Conference notes the automatic re-enrolment of relevant Ministers from 1 September 2019.</p> <p>36/6. The Conference notes the closure of the with profits Additional Voluntary Contribution (AVC) arrangement to new contributions.</p> <p>36/7. The Conference reappoints Mr Graham Danbury and Mr John Wyatt as Employer-Nominated Directors of the Methodist Ministers' Pension Trust Ltd from 1 September 2020.</p>

Summary of content and impact

Subject and aims	<ul style="list-style-type: none"> To update the Conference on developments regarding the Methodist Ministers' Pension Scheme.
Main points	<ul style="list-style-type: none"> Confirms the annual pension increase. Reports on the position with respect to Member-Nominated and Employer-Nominated Directors. Proposes changes to the scheme in relation to "Sector Employers" Reports on changes to the Additional Voluntary Contribution scheme and Long Service Awards.

Increase to pensions in payment

1. The Rules of the Scheme provide for an annual inflationary increase to pensions in payment on 1 September each year. The increase is subject to a maximum of 5% on pensions earned in respect of pensionable service before 1 September 2006 and a maximum of 2.5% on pensions earned for pensionable service completed after 31 August 2006.
2. Pensions in payment were historically increased each September in line with the increase in the Retail Price Index (RPI). However, following agreement from the Conference, escalation moved to using the Consumer Price Index (CPI), as published the preceding January, for increases awarded from 1 September 2018 onwards, for all service.
3. The increase in the CPI in the year to January 2020 was 1.8%. Therefore, pensions earned pre 1 September 2006 will increase by 1.8% and the post 1 September 2006 pensions will also increase by 1.8% from 1 September 2020.
4. Pensions payable as a consequence of having paid Additional Voluntary Contributions increase in line with the Retail Price Index (RPI) as at the preceding January. The RPI as at January 2020 was 2.7% and the AVC payments will therefore increase by this percentage.

Member Nominated Directors (MNDs)

5. The Revd Dr Stuart Bell was appointed as a MND for his present term of office which runs from 1 September 2017 and expires on 31 August 2020. The appointment is representative of the active constituency.
6. Stuart Bell became supernumerary on 31 August 2019 and has since been drawing a pension. In line with the Appointment Procedure Policy (MNDs), as he is no longer an active minister of the MMPS, the appointment will end on 31 August 2020.
7. The process to invite nominations to appoint a MND to represent the active constituency commenced with a view to making an appointment from 1 September 2020.

Employer Nominated Directors (ENDs)

8. Under its Articles, six directors of Methodist Ministers' Pension Trust Limited (MMPTL) must be nominated by the Council and appointed by the Conference.
9. One-third of the Church-appointed Directors retire by rotation each year and are eligible for reappointment.
10. Mr Graham Danbury and Mr John Wyatt are due to retire by rotation on 31 August 2020.
11. The Conference is requested to approve the reappointments of Mr Graham Danbury and Mr John Wyatt from 1 September 2020.

Sector Employers

12. The Methodist Council received legal advice regarding the implications of the MMPS being open to Ministers who are serving in appointments not in the control of the Methodist Church or the Conference (ie, those working for "Sector Employers").
13. The advice covered the following:

- a. how the MMPS has been open to ministers serving in these appointments outside the control of the Church;
 - b. the consequences of being a multi-employer Scheme;
 - c. the issue of Section 75 debts when a Sector Employer ceases to participate in the Scheme;
 - d. a proposal to release Sector Employers from their actual and potential Section 75 debts; and
 - e. a suggestion to consider ceasing to permit Ministers serving in appointments outside the control of the Church to participate in MMPS.
14. The 2014 Conference had set out plans to regularise the arrangements with the Sector Employers. Over time, scrutiny from the Pensions Regulator concerning statutory employers and multi-employer schemes has increased and this led to the Trustee seeking legal advice as to how this should be resolved.
15. It was never the intention of the MMPS Trustee Board that the Scheme become a multi-employer arrangement nor was it intended that Sector Employers be liable for any Section 75 debts that may accrue in the MMPS. Consequently, a consultation with affected members commenced in May regarding the proposal that the Scheme no longer admits, or enables future accrual of pension benefits for Ministers employed by Sector Employers who are not serving in appointment under the control of the Conference. These changes will need to be reflected in changes to the Rules of the Scheme.
16. The Methodist Council has been liaising with the Trustee to take these matters forward. The intention is that all current and former Sector Employers shall not be liable to any Section 75 debt and, to effect this, the responsibility for the pension liabilities of the Sector Employers will be transferred to the Conference. These arrangements will need to be confirmed through the execution of flexible apportionment arrangements by deed.

Automatic re-enrolment

17. MMPS is used as the qualifying scheme for auto enrolment.
18. The Scheme Actuary has confirmed that MMPS has met the criteria and can be certified as a qualifying scheme.
19. Eligible individuals are re-enrolled into the MMPS on 1 September 2019.
20. Re-declaration of compliance is in place for the period commencing 1 September 2019.

Closure of the with profits Additional Voluntary Contribution (AVC) arrangement

21. A review of the with profits AVC arrangement was carried out by the MMPS Trustee Board in June 2019.
22. The with-profits nature of the AVC arrangement is complex and costly to administer. Following the gradual reduction in membership, it has been recognised that a point had been reached whereby the Trustee and administrative costs of maintaining the arrangement in its current form had become disproportionate.
23. Potential options for reducing the complexity and administrative burden of the current with profits AVC arrangement whilst continuing to provide members with a fair benefit were discussed.

24. Following consideration of advice from the Scheme Actuary the Trustee agreed to close the arrangement to further contributions with effect from 31 August 2020. A one-off final calculation of reversionary and terminal bonuses under the current methodology will be undertaken as at 31 August 2020. Thereafter, any future annual bonuses will be calculated using a simplified methodology.
25. If members wish to continue making Additional Voluntary Contributions after 31 August 2020 then these will need to be made into the Scheme's Post 2006 AVC Scheme.

The Actuarial Valuation at 1 September 2020

26. The Trustee Board has engaged in discussions with the Scheme Actuary regarding the Actuarial Valuation due as at 1 September 2020. Preliminary discussions have also started with Church representatives.
27. The statutory deadline for completing the valuation is 30 November 2021.

Long Service Award (LSA) and Chair's Statement

28. The LSA is a Church legacy scheme whereby ministers who achieved 25 or more years' service in MMPS between 2003 and 2006, were rewarded with additional pension contributions by the Circuits.
29. Between 2003 and 2006, Circuits paid extra pension contributions of 2.9% of stipend which were then allocated amongst the long serving ministers as funds which could be utilised to provide additional benefits as part of the members' retirement benefits.
30. The Trustee had always considered this to be a form of AVC. However, legal advice received identified that the LSA fund is a money purchase arrangement.
31. In order to comply with pensions legislation, there is an obligation to produce a Trustee Chair's Statement if the MMPS provides money purchase benefits. Failure to produce a Chair's Statement is a breach of law. Due to the obligation to produce the Chair's Statement and the increased governance requirements, the Trustee no longer wishes to provide money purchase benefits from the Scheme, particularly given the low number of LSA benefits outstanding.
32. The Trustee has decided to convert the LSA to a Defined Benefit (DB) pension for each long serving minister who has not yet retired (apart from one member who is expecting to retire on 31 August 2020).
33. The Conference is requested to note that the LSA funds will be converted to Defined Benefit pensions which will mean that a Chair's Statement will not be required next year.

*****RESOLUTIONS**

- 36/1. The Conference received the Report.**
- 36/2. The Conference noted the increases to pensions in payment from 1 September 2020.**
- 36/3. Subject to the outcome of the consultation with affected members and the consent of the Methodist Ministers' Pension Trust Limited, the Conference resolved to amend the rules of the Methodist Ministers' Pension Scheme to close the scheme to participation by "sector employers" with effect from 31 August 2020 and delegates authority to two members of the Methodist Council to finalise and execute the amendments required to the MMPS Rules to implement this.**

- 36/4. The Conference delegated authority to two members of the Methodist Council to execute the required deeds for the flexible apportionment arrangements that release the “sector employers” from their pension debt liabilities under section 75 of the Pensions Act 1995.**
- 36/5. The Conference noted the automatic re-enrolment of relevant Ministers from 1 September 2019.**
- 36/6. The Conference noted the closure of the with profits Additional Voluntary Contribution (AVC) arrangement to new contributions.**
- 36/7. The Conference reappointed Mr Graham Danbury and Mr John Wyatt as Employer-Nominated Directors of the Methodist Ministers’ Pension Trust Ltd from 1 September 2020.**