

Report & Financial Statements

For the year ended 31 August 2022

Methodist Ministers' Pension Scheme

Pension Scheme Registry No: 10029514

METHODIST MINISTERS' PENSION SCHEME

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METHODIST MINISTERS' PENSION SCHEME

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 AUGUST 2022

THE TRUSTEE

The Trustee submits the report and audited financial statements of the Methodist Ministers' Pension Scheme ("the Scheme") for the year ended 31 August 2022.

The Trustee of the Scheme is the Methodist Ministers' Pension Trust Limited ("the Trustee Company"), which was formed in 1992 for the sole purpose of providing trustee services to the Scheme. The power of appointing and removing the Trustee is vested in the Methodist Conference.

The Trustee Board of the Scheme ("the Board") noted that there are certain matters which are of common interest both to themselves and to the Trustee Board of the Pension & Assurance Scheme for Lay Employees of the Methodist Church ("PASLEMC") and that there are some common members of the two Trustee Boards. To facilitate the effective management of the Boards it has been resolved that the two Trustee Boards align discussions of any such joint matters as the Board and the PASLEMC Board jointly agree. It was further resolved that from September 2019 any joint matters being discussed in their proceedings should consider each Scheme independently and be recorded in the minutes of each Board.

There are ten directors of the Trustee Company appointed in accordance with Article 35 of the Articles of Association. The Directors generally meet on a quarterly basis to consider the management of the Scheme and more often if Scheme activity requires. There are six Church Directors nominated by the Methodist Council and approved by the Conference. One of the Directors is an Independent Trustee, namely Capital Cranfield Pension Trustees Limited. One third of the Church Directors retire by rotation each year and are eligible for reappointment. There are currently four Member-Nominated Directors each of whom serve for three years, and all of whom retire at the end of their term though may stand for re-election. Mr Martin Tingle was appointed to serve for three years from 1 September 2022 and Mr Luke Wilcox was appointed to serve for one year from 1 September 2022.

TRUSTEE'S REPORT (continued)

TRUSTEE DIRECTORS AND ADVISERS TO THE SCHEME

Trustee Directors

Church Directors

Mr Graham Danbury* (retired 31/08/2022)
Ms Anne M Fairchild*
Mr Richard Hubbard (Chair)* - Representative of
Capital Cranfield Pension Trustees Limited
(appointed 01/09/2022)
Ms Ingrid Kirby (Chair)* - Representative of Capital
Cranfield Pension Trustees Limited (retired
31/08/2022)
Mr Fred King
Mr Andrew Paul (retired 31/08/2022)
Mr Martin Tingle (appointed 01/09/2022)
Mr Luke Wilcox (appointed 0/09/2022)
Mr John Wyatt*

** Member of the Joint Investment Committee*

Member Nominated Directors

Revd Dr John Illsley*
Revd Sydney Samuel Lake
Revd Eleanor Smith
Revd Andrew Walker

Secretary to the Trustee / Pensions Manager

Mrs Meena Tooray

Actuary

Mrs Diana Simon FIA

Actuarial Consultant

BWCI Consulting Limited

Auditor

Assure UK

Bankers

HSBC Bank plc
Royal Bank of Scotland plc

Investment Consultant

Lane Clark & Peacock LLP

Investment Managers

Epworth Investment Management Limited
Columbia Threadneedle Investments (previously
Threadneedle Property Unit Trust)
Schroder Real Estate Managers (Jersey) Limited
Columbia Threadneedle Investments (previously BMO
Global Asset Management)
Partners Group (Luxembourg) S.A.
AXA Investment Managers (appointed 24/03/2022)

Legal Advisers

Burges Salmon LLP
Potheary Witham Weld

AVC Manager

Epworth Investment Management Limited

TRUSTEE'S REPORT (continued)

SPONSORING EMPLOYER

The sponsoring employer for the Scheme is the Conference of the Methodist Church. The Conference is situated at Methodist Church House, 25 Tavistock Place, London, WC1H 9SF.

CONTACT FOR ENQUIRIES

The Scheme's administration is carried out by the Pension's Team of the Methodist Church. Any enquiries either about the Scheme generally or about a member's entitlement to benefits should be addressed to the Pensions Manager at Methodist Church House, 25 Tavistock Place, London, WC1H 9SF, or emailed to pensionshelp@methodistchurch.org.uk

SCHEME CONSTITUTION AND MANAGEMENT

The Scheme was established by the Conference Resolution of 1947 whereby the Supernumerary Ministers' and Ministers' Widows' Fund was renamed the Ministers' Retirement Fund. In accordance with the approval given by Conference in 1994 the name of the Scheme was then changed to the Methodist Ministers' Pension Scheme.

The Scheme is an occupational pension scheme set up under trust to provide retirement benefits of a defined benefit nature for Ministers of the Methodist Church. The Rules dated 1 September 2014 govern the Scheme, with subsequent resolutions made on 2 March 2017 and 1 September 2018. The Resolution dated 2 March 2017 resolved to use the Consumer Prices Index to calculate the annual increase to pensions in payment from 1 September 2018 onwards and the Resolution dated 1 September 2018 added a rule to allow payment of trivial commutation lump sums. A further Resolution dated 28 August 2020 resolved that the Scheme is a single employer scheme. It also resolved to extend the eligibility criteria such that a former Probationer who has been admitted into Full Connexion but who has yet to be ordained remains eligible to join the Scheme.

The Scheme is a registered scheme in accordance with section 153 of the Finance Act 2004. The Trustee knows of no reason why this registration may be prejudiced or withdrawn.

Responsibility for setting the investment strategy and for managing the Scheme rests with the Trustee. The persons who acted as directors to the Trustee Company during the year are listed on page 2. Decisions are passed on a simple majority of those voting.

The Trustee, in conjunction with the PASLEMC Trustee, has set up a Joint Investment Committee to consider fully the investment issues which affect both Schemes and which reports to the Trustee Board. The Joint Investment Committee meets at least once a quarter.

The Trustee has appointed professional advisers and other organisations to support it in delivering the Scheme's objectives. These individuals and organisations are listed on page 2. The Trustee has written agreements in place with each of them.

TRUSTEE'S REPORT (continued)

FINANCIAL STATEMENTS AND DEVELOPMENTS OF THE SCHEME

The annual financial statements and notes to the financial statements are set out on pages 25 to 38. The financial statements have been prepared and audited in accordance with regulations made under Sections 41(1) and (6) of the Pensions Act 1995.

As a result of net withdrawals from the Scheme from dealings with members of £10,372,959 (2021: £9,532,775) and a net loss on investments, including revaluation, of £103,028,594 (2021: net gain of £96,382,257), the Scheme now has a value of £460,900,343 (2021: £574,301,896).

MEMBERSHIP AND BENEFITS

Membership

As at 31 August 2022 there were 4,002 total members of the Scheme. The membership statistics reflect changes due to post year end amendments and can be broken down as follows

	Active Members	Deferred Members	Pensioner Members
As at 31/08/2021	1,215	290	2,650
New Entrants*	(20)	5	(79)
Active to retired*	(1)	-	1
Active to Deferred*	(5)	-	-
Deferred to retired*	-	-	-
Deaths*			(1)
Restated at 01/09/2021	1,189	295	2,571
New Entrants	22	8	59
Active to Deferred	(12)	-	-
Refunds	(1)	-	-
Retirements	(71)	(18)	89
Deaths	(2)	-	(122)
No Liability	-	(4)	-
Transferred Out	-	(1)	-
As at 31/08/2022	1,125	280	2,597

* notified late / processed after year end

TRUSTEE'S REPORT (continued)

Pension increases

The Rules of the Scheme provide for increases to pensions in payment to take account of inflation, subject to a cap of:

- 5.0% pa for pensions accrued before 1 September 2006.
- 2.5% pa for pensions accrued from 1 September 2006.

There is no history of discretionary increases and over the last three years, pension increases have been paid within the limits stated above.

Following a decision taken by the 2016 Conference, pension increases for Scheme pensions are based on the Consumer Price Index ("CPI") measure of inflation. The Scheme awards pension increases annually each 1 September and increases are calculated in line with the January CPI.

The increases applied from 1 September 2022 were as follows:

Pensions in relation to service	Increase awarded
Prior to 1 September 2006	5.0% (2021: 0.7%)
From 1 September 2006	2.5% (2021: 0.7%)

Increases to pensions paid in respect of money purchase Additional Voluntary Contributions (AVCs) depend on the conversion terms dependent on the date of retirement as follows:

- AVC pensions which commenced payment before 1 September 2006 are increased in line with the Retail Prices Index (RPI), capped at 5%;
- AVC pensions which commenced payment between 1 September 2006 and 31 August 2018 increased in line with RPI, capped at 2.5%; and
- AVC pensions which commenced payment on or after 1 September 2018 are increased in line with CPI, capped at 2.5%.

Hence, the increases applied to AVC pensions from 1 September 2022 were as follows:

AVC pensions in payment	Increase awarded
Prior to 1 September 2006	5.0% (2021: 1.4%)
From 1 September 2006 and before 1 September 2018	2.5% (2021: 1.4%)
From 1 September 2018	2.5% (2021: 0.7%)

Deferred pension increases

The Scheme provides a guaranteed increase of not less than the revaluation percentage specified by the Secretary of State in accordance with paragraph 2(1) of Schedule 3 to the Pension Schemes Act 1993 applicable over the period from the date on which the member left pensionable service up to Normal Pension Date. As agreed by the Trustee in March 2011, the index used to determine the revaluation percentage is linked to the Consumer Price Index ("CPI") and therefore, statutory increases were awarded to deferred pensions over the year to 31 August 2022.

TRUSTEE'S REPORT (continued)

Transfers out of the Scheme

Transfer values paid during the year in respect of transfers to other pension schemes were cash equivalents calculated and paid in the manner prescribed by the Scheme Actuary in accordance with the Pension Schemes Act 1993. The Trustee, with the advice of the Actuary, has decided to make no allowance for discretionary pension increases in the calculation of transfer values. No transfers were reduced to less than their cash equivalent value.

Going concern

The Russia/Ukraine war and recent economic volatility has caused disruption to economic activity and fluctuations in global stock markets over the year. The Trustee has designed and implemented the Scheme's investment strategy taking a long-term view and has built in resilience to withstand short-term fluctuations in the valuation of Scheme assets.

The Trustee actively monitors both the financial security of the Scheme and the suitability of the investment strategy and will continue to do so.

The Trustee is not aware of any immediate plans to wind up the Scheme and it confirms that, to the best of its knowledge, the Scheme will be continuing for at least 12 months from the date of signing this Report and it is therefore appropriate that the financial statements have been prepared on an 'on-going' basis.

METHODIST MINISTERS' PENSION SCHEME

REPORT ON ACTUARIAL LIABILITIES

Under section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions, which represent the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed at least every 3 years using assumptions agreed between the Trustee and the Conference and set out in the Statement of Funding Principles, a copy of which is available to Scheme members on request.

The latest full actuarial valuation of the Scheme was carried out as at 1 September 2020. This revealed a shortfall of the assets relative to the technical provisions (i.e. accrued liabilities) of £14,233,000. In accordance with statutory requirements, the Trustee received an actuarial report which provided an update of the funding position as at 1 September 2021. The results are summarised in the table below:

Date	Actuarial valuation as at 01/09/2020	Actuarial update as at 01/09/2021
Value of technical provisions (£'000)	501,685	498,548
Assets available to meet technical provisions (£'000)	487,452	574,302
Assets as a percentage of technical provisions	97.2%	115.2%
Surplus/ (Shortfall) (£'000)	(14,233)	75,754

The value of the technical provisions is based on pensionable service to the valuation date and assumptions about various factors that will influence the Scheme in the future, such as the levels of investment returns and stipend and pension increases, when members will retire and how long members will live. The method and significant actuarial assumptions used in the calculations are as follows:

METHODIST MINISTERS' PENSION SCHEME

REPORT ON ACTUARIAL LIABILITIES (continued)

Method

The actuarial method used in the calculation of the technical provisions is the Projected Unit Method.

Significant actuarial assumptions as at 1 September 2020

Non-pensioners as at 1 September 2017 discount rate:	Bank of England gilt curve plus 2.0% pa for 8 years, 1.0% pa thereafter.
Pensioner as at 1 September 2017 discount rate:	Bank of England gilt curve plus 1.0% pa throughout.
Future Retail Price Inflation:	Equal to the Bank of England RPI inflation curve.
Future Consumer Price Inflation:	0.75% pa below the RPI assumption up until 2030, equal to the RPI assumption thereafter.
Stipend increases:	0.5% pa above the future Consumer Price Inflation assumption.
Pension increases (main Scheme pensions):	Derived from the assumption for future Consumer Price Inflation allowing for the caps on pension increases according to the provisions in the Scheme's Rules.
Pension increases (AVC pensions):	Derived from the assumption for the relevant future inflation measure allowing for the caps on pension increases and the inflation measure agreed at the time the AVC funds were converted to pension.
Mortality:	For the period in retirement, standard SAPS S3 light tables for males and middle tables for females with scaling factors of: <ul style="list-style-type: none"> • 100% for male pensioners • 95% for female pensioners and widowers; and • 87.5% for widows together with allowance for future improvements in line with CMI_2019 Core Projections with an initial addition to CMI improvements of 0.25% and incorporating an annual long term rate of improvement in mortality rates of 1.5% pa.
Commutation:	An allowance for members to commute 15% of their pensions for a lump sum.
Expenses:	2.8% pa of stipends.

REPORT ON ACTUARIAL LIABILITIES (continued)

Future contributions and Recovery Plan

As part of the 2020 actuarial valuation, it was agreed that the shortfall revealed as at 1 September 2020 could potentially be eliminated by investment returns in excess of the technical provisions discount rate. However, the future investment returns are uncertain and therefore a conditional recovery plan was agreed between the Trustee and the Conference of the Methodist Church whereby:

- no core contributions are required; but
- conditional contributions of between £0 and £2,641,000 will be paid to the Scheme from the Pension Reserve Fund¹ each December, starting December 2021 up to and including December 2026. The precise amount payable will be determined by the Scheme Actuary having regard to Scheme experience.

The total cost of providing future service benefits on 1 September 2020 amounted to 38.8% of stipends. Members pay 9.3% of stipends and therefore the required Church future service contribution rate amounted to 29.5% of stipends. The Methodist Council on behalf of Conference decided that the Circuit contribution rate will remain at 26.9% of stipends in the short term. The future service shortfall over the year to 31 August 2021 was allowed for within the Recovery Plan. For any year from 1 September 2021 that Circuits pay 26.9% of stipends rather than the full required rate of 29.5% of stipends, the difference of 2.6% of stipends will be met by an annual contribution from the Pension Reserve Fund (or from other assets of the Methodist Council).

These arrangements were formalised in a schedule of contributions which the Scheme Actuary certified on 29 April 2022. A copy of this certificate is included on page 39 of this annual report. On 30 April 2022 the Scheme's valuation results were submitted to the Pensions Regulator.

The Trustee and the Methodist Council have also agreed an interim secondary Long Term Funding Objective for the Scheme. Under this agreement, if the Scheme's Long Term Funding Objective funding level falls below 90% then a remedy payment schedule will be put in place (in addition to any recovery plan contributions). The remedy payment schedule will be designed to eliminate any Long Term Funding Objective shortfall over a period of three years but remedy payments will be capped at £15m pa across both the Scheme and the Pension and Assurance Scheme for Lay Employees of the Methodist Church and will cease once the Scheme's Long Term Funding Objective funding level reaches 90%. Full details are set out in a Framework Agreement between the Trustee and the Methodist Council.

To support the Scheme's funding and investment strategy, the Methodist Council has charged properties valued in aggregate at £39,937,500. Under the Framework Agreement dated 29 April 2022 ultimately the Trustee has the right to call on the charge should Conference default on a Conditional Contribution under the Scheme's Recovery Plan or a remedy payment that falls due following a Long Term Funding Objective assessment. The Trustee also has a right to call on the charge should an insolvency event occur.

¹ The Pension Reserve Fund was set up following a 2009 Conference decision to establish a reserve outside of the Scheme, which can be used to meet funding needs and other pension related costs. The Trustee of the Scheme considers that the Pension Reserve Fund overall strengthens the Church's financial covenant to the Scheme.

METHODIST MINISTERS' PENSION SCHEME

In addition, the Methodist Council has created a restricted fund, the "Ministers' Scheme Property Fund" within the Pension Reserve Fund. This was assigned £28,562,500 from the main Pension Reserve Fund assets and thereafter will hold the proceeds of any sales of charged properties. This sub-fund of the Pension Reserve Fund will have restricted use as detailed in the Framework Agreement dated 29 April 2022.

Next Actuarial Valuation

The next triennial valuation will be performed as at 1 September 2023. However, in accordance with statutory requirements, the Trustee will obtain annual actuarial reports which provide updates of the funding position. The next actuarial report is being produced as at 1 September 2022.

Further details

The Trustee of the Scheme has produced Summary Funding Statements based on the 2020 actuarial valuation and the 2021 update. Copies of the Scheme Actuary's 2020 valuation report, 2021 actuarial report, and the accompanying Summary Funding Statements are available on request from the contact for enquiries on page 3.

INVESTMENT MANAGEMENT

Over the year under review, the investments of the Scheme were managed by Epworth Investment Management Limited ("Epworth") (investing in funds managed by the Central Finance Board of the Methodist Church ("CFB")), Mayfair Capital ("Mayfair"), Schroder Real Estate Managers (Jersey) Limited ("Schroder"), Columbia Threadneedle Investments ("CTI"), Partners Group Holdings AG ("Partners Group") and AXA Investment Managers ("AXA").

Statement of Investment Principles

In accordance with section 35 of the Pensions Act 1995, a Statement of Investment Principles ("SIP") has been produced by the Trustee following consultation with the Employer. The SIP was reviewed and updated in September 2021 and May 2022. The Trustee reviews the SIP at least once every three years, and after any significant change in investment strategy. The Employer, the appointed Investment Consultant, and the appointed Scheme Actuary are consulted during the review. A copy of the latest SIP is available online at: [SIPs](#)

Investment strategy

The broad investment objectives are agreed by the Trustee, having consulted with the Employer. Within the context of these risk and return objectives, the Trustee, taking advice from the Scheme's investment consultant, decides on the overall allocation of assets between the various asset classes, and selects the appropriate managers within each asset class.

The following tables detail the categorisation of Scheme assets into asset classes by fund (including funds no longer held at year end but held over some period within the year) and strategic allocation as set out in the Statement of Investment Principles. Figures may not sum due to rounding.

METHODIST MINISTERS' PENSION SCHEME

INVESTMENT MANAGEMENT (continued)

Fund	Asset Class
CFB UK Equity Fund	UK equities
CFB Overseas Fund	Overseas equities
Mayfair Capital Property Unit Trust	UK property
CTI TPUT	UK property
Partners Group PG Life 2018	Impact investing (private markets)
CTI Short Profile Real Dynamic LDI Fund	Liability Driven Investment ("LDI")
CTI Short Profile Nominal Dynamic LDI Fund	Liability Driven Investment ("LDI")
CTI Nominal Dynamic LDI Fund	Liability Driven Investment ("LDI")
CTI LDI Private Sub-Fund	Liability Driven Investment ("LDI")
AXA Bespoke B&M Fund	Corporate Bonds
CFB UK Corporate Bond Fund	Corporate Bonds
CFB Deposit Fund	Cash

Asset class	Strategic Allocation (%)
UK equities	12.5%
Overseas equities	12.5%
UK Property	7.5%
Impact Investing	10.0%
Corporate bonds	27.5%
Liability Driven Investment ("LDI") and Cash	30.0%
Total	100.0%

Please also note for the impact investing mandate, the nature of the drawdown process, being spread over time, means that exposure to the asset class will increase gradually over time and subsequently decrease as it distributes capital. Likewise, the equity allocation will gradually decrease with each drawdown.

METHODIST MINISTERS' PENSION SCHEME

INVESTMENT MANAGEMENT (continued)

The Trustee has implemented a de-risking strategy based on a system of triggers. This broadly involves increasing the allocation to matching assets and decreasing the allocation to growth assets if certain trigger thresholds are met. Therefore, the actual asset allocation is expected to shift progressively over time.

Material changes to the investments during the year ended 31 August 2022 are set out below:

- The Trustee agreed to de-risk the Scheme's assets in November 2021, reducing the allocation to equities and increasing the allocation to cash and LDI assets. The Scheme also increased interest rate and inflation hedging levels to c100% of the Scheme's liabilities, measured on a Gilts + 0.5% basis.
- The Trustee agreed to further de-risk the Scheme over Q1 2022, reducing the allocations to equities and property and investing in a new AXA Bespoke Buy & Maintain Credit mandate which replaced the CFB UK Corporate Bond Fund. The Scheme also implemented a new bespoke CTI LDI mandate, replacing the pooled dynamic LDI funds previously held. The Scheme also removed the active asset allocation discretion within Epworth's mandate.
- Further de-risking was carried out after the end of the Scheme year, in September 2022.

Departures from the SIP

There were no material departures from the Scheme SIP over the year, any changes to investment strategy have been reflected in an updated version of the Scheme SIP within a reasonable timeframe.

Other investments

The Scheme's money purchase AVC investments are invested with Epworth. Epworth manage the buying, selling or subscribing for units in the CFB funds, the allocation to which is in accordance with the relevant members' selections and not on a discretionary basis. Members have a choice of two lifestyle strategies.

The Scheme holds an allocation of unquoted equities with a private limited company, Joseph and Jesse Siddons Limited.

METHODIST MINISTERS' PENSION SCHEME

INVESTMENT MANAGEMENT (continued)

Investment performance

Epworth	One year (%)		Three years (% pa)	
	Fund	Benchmark	Fund	Benchmark
CFB UK Equity Fund	(13.1%)	(4.0%)	(1.1%)	0.8%
CFB Overseas Fund	(9.7%)	(3.6%)	6.4%	8.1%
Mayfair Capital Property Unit Trust	12.3%	13.3%	8.1%	7.6%
CTI TPUT	12.0%	13.3%	7.3%	7.6%
CTI LDI portfolio*	(65.3%)	(64.8%)	(32.7%)	(31.4%)
CFB Deposit Fund	0.6%	0.7%	0.5%	0.4%
Total Scheme	(25.1%)	(22.7%)	(6.1%)	(5.5%)

Source: Investment managers. LCP calculations.

**For the CTI LDI portfolio we have chain linked the performance of the Scheme's previous pooled fund holdings with that of the Scheme's new bespoke LDI holding.*

Please note:

- Overall performance of the Scheme is calculated by compounding the Scheme and benchmark returns contained in the investment reports provided by the Scheme's investment adviser;
- We have not provided performance information for the CFB UK Corporate Bond Fund as the Scheme has disinvested from the fund over the year;
- We have not provided performance information for AXA B&M Fund as the Scheme has been invested for less than a year.

Transaction costs

The Trustee is aware that indirect transaction costs will be incurred through the bid-offer spread on investments within the Scheme's pooled investment vehicles and charges made within those vehicles.

Remuneration of investment managers

The Scheme pays fees to each of the investment managers (other than Partners Group and CTI LDI Private Sub-Fund) based on their assets under management. For the PG Life 2018 Impact Investing Fund with Partners Group, the Scheme pays a fee based on its committed amount (rather than the amount invested), and a performance-related fee. For the CTI LDI Private Sub-Fund, the investment management fees are charged based on a proportion of the value of the liabilities hedged.

In addition to the annual management charges paid by the Scheme, there may be further expenses incurred in the management of each fund which will be reflected in the funds' returns.

METHODIST MINISTERS' PENSION SCHEME

INVESTMENT MANAGEMENT (continued)

Custody of assets

The underlying assets are held by custodians who have agreements with the investment manager of the assets. There is no direct relationship between the investment managers' custodians and the Trustee.

Investment management

The overall management of the Trustee's investments is the responsibility of the Trustee. However, the day-to-day management of the Scheme's asset portfolio is the responsibility of the investment managers, who operate within the guidelines of their specific mandates.

Investment principles

Trustee's policies in relation to voting rights

The Trustee has examined how rights, including voting rights, attached to investments should be exercised. The Trustee recognises its responsibilities as an owner of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations.

The Trustee does not generally monitor or engage directly with issuers or other holders of debt or equity. It expects the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustee from time to time, considering the long-term financial interests of the beneficiaries.

The Trustee will consider such policies from which it will determine whether circumstances require them to monitor or engage with investment managers or other holders of debt or equity. The Trustee understands these reflect the recommendations of the UK Stewardship Code issued by the Financial Reporting Council. The Trustee is supportive of the recommendations made by the UK Stewardship Code and expects its investment managers to comply with the principles of the UK Stewardship Code (or to explain any non-compliance).

All of the Scheme's publicly-held shares are managed by Epworth, and the Trustee is able to engage with Epworth on its voting policies should it have a strong view on a particular issue. The Trustee is able to engage with Epworth via the Joint Investment Committee at quarterly Joint Investment Committee meetings, or via digital or written correspondence with Epworth. The Trustee cannot usually directly influence the policies of the Scheme's other investment managers.

INVESTMENT MANAGEMENT (continued)

Trustee's policies on environmental, social and governance ("ESG") and ethical factors

The Trustee has considered how environmental, social, governance ("ESG") and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Scheme and its members. The Trustee recognises that it has an important influence on the Scheme's approach to ESG, ethics, and other financially material considerations through its investment strategy and manager selection decisions. The Trustee has formulated a Responsible Investment Policy, which describes its approach in this area in more detail, with key elements summarised here. The Trustee believes that this Policy is consistent with the views of members and will not be financially detrimental to the Scheme.

The Trustee expects its investment managers to take account of financially material considerations (including climate change and other ESG considerations) as an integral part of their investment processes. The Trustee seeks to appoint managers that have appropriate skills and processes to do this, and regularly reviews how its managers are taking account of these issues in practice.

The Trustee also takes into account some non-financial matters (i.e. matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments.

The Trustee believes that Scheme members would support action in respect of these non-financial factors and does not expect taking account of these factors to pose a risk of material financial detriment to the assets of the Scheme. Where exposure is deemed material, assets exposed to the following non-financial factors are excluded:

- Nuclear weapons
- Cluster munitions

Where exposure is deemed material, the following non-financial factors are considered strong grounds for exclusion from investment:

- Alcohol
- Tobacco
- Gambling
- Pornography
- Arms and firms supplying military and security services

Where exposure is material, the following non-financial factors are considered grounds for engagement and possible exclusion:

- Human rights (including caste discrimination)
- Children's issues
- Farm animal welfare
- Health and nutrition within the food and beverages industry
- Prison management
- Violence in media
- Issues related to Israel & Palestine

METHODIST MINISTERS' PENSION SCHEME

INVESTMENT MANAGEMENT (continued)

However, responsibility for the selection of individual assets is delegated to the Scheme's investment managers and the Trustee accepts that it may not be possible to find investment funds for all asset classes which consider all factors which the Trustee consider important, or which exclude all investments which the Trustee would prefer to avoid. In this situation, the Trustee adopts a pragmatic approach, seeking to find investment funds in which the allocations to such holdings are not material – with analysis being conducted before any new investment. The Trustee has limited influence over managers' investment practices, other than Epworth, in this area but it encourages its managers to improve their practices where appropriate.

Trustee's policy on the implementation of asset manager arrangements

Before investing in any manner, the Trustee obtains and considers written advice from its investment consultant on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

During the retention of any investment, the Trustee regularly considers at what intervals the circumstances and nature of the investment make it desirable to obtain such advice from its investment adviser, and obtains and considers such advice accordingly.

The Trustee has signed agreements with the investment managers setting out in detail the terms on which the portfolios are to be managed and investment powers delegated. The investment managers' primary role is the day-to-day investment management of the Scheme's investments. The managers are either authorised or (where applicable) not required to be authorised under the Financial Services and Markets Act 2000 (as amended) to carry out such activities.

The Trustee has limited influence over managers' investment practices because all the Scheme's assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate.

The Trustee's view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions of the fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustee's responsibility to ensure that the managers' investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustee expects investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. It assesses this when selecting and monitoring managers.

The Trustee evaluates investment manager performance by considering performance over both shorter and longer-term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. Generally, the Trustee would be unlikely to terminate a mandate on short-term performance grounds alone.

METHODIST MINISTERS' PENSION SCHEME

INVESTMENT MANAGEMENT (continued)

The Trustee's policy is to evaluate each of its investment managers by reference to the manager's individual performance as well as the role it plays in helping the Scheme meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers. The Trustee expects its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme's investment mandates, to enable it to factor such costs into its decisions.

METHODIST MINISTERS' PENSION SCHEME

SCHEME GOVERNANCE

Scheme governance is a key priority for the Trustee Directors who operate practices and procedures to ensure that they meet their statutory duties. The Trustee considers the guidance as laid down by the Pensions Regulator when establishing and developing the governance arrangements. A summary of the main governance arrangements is detailed below.

Business plan

The Trustee has established a Business Plan which outlines the expected tasks that require completion during the year and at which meeting the items will be discussed. The Trustee receives a copy of the current Business Plan at every Trustee Board meeting.

Trustee meetings

There were four meetings of the Trustee Board for the Scheme and four meetings of the Joint Investment Committee. Over the Scheme year to 31 August 2022, attendance by the Trustee Directors at the Board meetings was 85% (2021: 90%).

Risk management

The Trustee maintains a Risk Register which identifies the key risks faced and prioritises them on a combination of potential impact and likelihood of occurrence in line with the guidance issued by the Pensions Regulator. The Risk Register includes a record of the key controls in place and action that could be taken to mitigate the risks identified. The Risk Register is reviewed annually in line with the Business Plan, and at each Trustee meeting during the year.

Conflicts of interest policy

The Trustee maintains a policy for managing potential conflicts of interest. Any conflict identified is recorded in the minutes of the Trustee meeting. The Scheme Secretary also maintains a register of the Trustee Directors' interests.

Employer covenant

The Trustee considers the strength of the employer covenant on an ongoing basis. For the most recent assessment, which was completed in the run up to the 2020 actuarial valuation, the Trustee commissioned an external adviser, PricewaterhouseCoopers LLP ("PwC"), to undertake the covenant review. The PwC review concluded that the overall strength of the employer covenant available to the Scheme was 'Tending to Strong'. Following that review a Framework Agreement was entered into (see the section 'Report on Actuarial Liabilities') on 29 April 2022 to improve the strength of the covenant support for the Scheme. The Trustee will be formally reviewing the covenant strength for the purpose of the 2023 actuarial valuation

METHODIST MINISTERS' PENSION SCHEME

SUMMARY OF CONTRIBUTIONS PAYABLE FOR THE YEAR ENDED 31 AUGUST 2022

During the year ended 31 August 2022, the contributions payable to the Scheme were as follows:

	£
CONTRIBUTIONS PAYABLE UNDER THE SCHEDULE OF CONTRIBUTIONS	
Conference normal contributions	8,111,880
Conference expense contributions	828,045
Member normal contributions	2,792,638
	<hr/>
Total contributions payable under the Schedule of Contributions	11,732,563
	<hr/>
OTHER CONTRIBUTIONS PAYABLE	
Member Additional Voluntary Contributions	486,648
	<hr/>
Total other contributions	486,648
	<hr/>
TOTAL CONTRIBUTIONS REPORTED IN THE FINANCIAL STATEMENTS	12,219,211
	<hr/> <hr/>

METHODIST MINISTERS' PENSION SCHEME

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102) are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of that year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

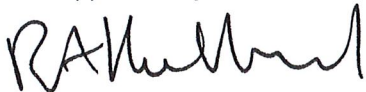
In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

The Trustee is also responsible for making available certain other information about the Scheme in the form of an Annual Report.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a schedule of contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

This report was approved by the Trustee on  2023 and signed on its behalf by:



Richard Hubbard

Representing Capital Cranfield Pension Trustees Ltd

Chair of Trustee Board

METHODIST MINISTERS' PENSION SCHEME

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE METHODIST MINISTERS' PENSION SCHEME

Opinion

We have audited the financial statements of the Methodist Ministers' Pension Scheme (the 'Scheme') for the year ended 31 August 2022 which comprise the Fund Account, the Statement of Net Assets and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the Methodist Ministers' Pension Scheme financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 August 2022, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustee with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon and our auditor's statement about contributions. The Trustee is responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

METHODIST MINISTERS' PENSION SCHEME

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE METHODIST MINISTERS' PENSION SCHEME (continued)

Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Trustee

As explained more fully in the Statement of Trustee's Responsibilities set out on page 20, the Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee intends to wind up the Scheme, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Capability of the audit in detecting irregularities, including fraud irregularities

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

Based on our discussions with the Trustee, we considered the laws and regulations that have a direct impact on the preparation of the financial statements such as Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995.

During the engagement team briefing, the outcomes of these discussions and enquiries were shared with the team, as well as consideration as to where and how fraud may occur in the entity. The engagement team remained alert to non-compliance throughout the audit from planning to completion.

METHODIST MINISTERS' PENSION SCHEME

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE METHODIST MINISTERS' PENSION SCHEME (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

Audit procedures undertaken in response to the potential risks relating to irregularities (which include fraud and non-compliance with laws and regulations) comprised of:

- enquiries of management and the Trustee as to whether the entity complies with such laws and regulations;
- enquiries with the same concerning any actual or potential litigation or claims and whether they have knowledge of any actual, suspected or alleged fraud;
- inspection of relevant legal correspondence;
- review of Trustee meeting minutes;
- testing the appropriateness of journal entries; and
- the performance of analytical review to identify unexpected movements in account balances which may be indicative of fraud.

No instances of material non-compliance were identified. However, the likelihood of detecting irregularities, including fraud, is limited by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error. As explained above, there is an unavoidable risk that material misstatements may not be detected, even though the audit has been planned and performed in accordance with ISAs (UK).

We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of the audit report

This report is made solely to the Scheme's Trustee, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee, as a body, for our audit work, for this report, or for the opinions we have formed.

Assure UK

Assure UK
Chartered Accountants and Statutory Auditor
London

Date: 9 March 2023

METHODIST MINISTERS' PENSION SCHEME

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF THE METHODIST MINISTERS' PENSION SCHEME

We have examined the Summary of Contributions to the Methodist Ministers' Pension Scheme for the Scheme year ended 31 August 2022, which is set out on page 19.

In our opinion contributions for the Scheme year ended 31 August 2022 as reported in the Summary of Contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 30 July 2018 and 29 April 2022.

Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the Summary of Contributions on page 19 have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedule of Contributions.

Respective responsibilities of Trustee and the Auditor

As explained more fully in the Statement of Trustee's Responsibilities, the Scheme's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a Schedule of Contributions.

It is our responsibility to provide a Statement about Contributions paid under the Schedule of Contributions and to report our opinion to you.

Use of the audit report

This statement is made solely to the Scheme's Trustee, as a body, in accordance with Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our work on contributions has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to them in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee, as a body, for our work on contributions, for this statement, or for the opinion we have formed.

Assure UK

Assure UK

Chartered Accountants and Statutory Auditor
London

Date: 9 March 2023

METHODIST MINISTERS' PENSION SCHEME

FUND ACCOUNT

For the year ended 31 August 2022

	Note	2022 £	2021 £
Contributions and Benefits			
Conference contributions	5	8,939,925	8,444,730
Membership contributions	5	<u>3,279,286</u>	<u>3,381,264</u>
Total contributions		<u>12,219,211</u>	<u>11,825,994</u>
Transfers in	6	235,984	228,880
Other income	7	<u>496</u>	<u>3,650</u>
		<u>12,455,691</u>	<u>12,058,524</u>
Benefits paid or payable	8	(21,150,093)	(20,307,978)
Payments to and on account of leavers	9	(223,976)	(108,999)
Administrative expenses	10	<u>(1,454,581)</u>	<u>(1,174,322)</u>
		<u>(22,828,650)</u>	<u>(21,591,299)</u>
Net withdrawals from dealing with members		<u>(10,372,959)</u>	<u>(9,532,775)</u>
Returns on investments			
Investment income	11	10,467,432	11,146,796
Change in market value of investments	12	(109,909,188)	87,662,128
Investment management expenses	13	<u>(3,586,838)</u>	<u>(2,426,667)</u>
Net return on investments		<u>(103,028,594)</u>	<u>96,382,257</u>
Net (decrease)/increase in the fund during the year		(113,401,553)	86,849,482
Net assets of the Scheme			
At 1 September		<u>574,301,896</u>	<u>487,452,414</u>
At 31 August		<u>460,900,343</u>	<u>574,301,896</u>

The notes on pages 27 to 38 form an integral part of these financial statements.

METHODIST MINISTERS' PENSION SCHEME

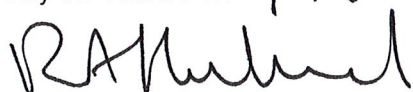
STATEMENT OF NET ASSETS (available for benefits) at 31 August 2022

	Note	2022 £	2021 £
Investment assets			
Pooled investment vehicles	14	305,406,894	513,900,732
AXA Bespoke Buy & Maintain Credit Fund		136,688,471	-
AVC investments		2,813,423	3,159,680
Unquoted Equities		29,310	29,445
Accrued interest		2,105,315	1,499,306
Cash		5,011,724	27,490,441
Total net investments		<u>452,055,137</u>	<u>546,079,604</u>
Current assets	19	11,535,141	33,444,609
Current liabilities	20	(2,689,935)	(5,222,317)
Net assets of the Scheme at 31 August		<u>460,900,343</u>	<u>574,301,896</u>

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations, is dealt with in the Report of Actuarial Liabilities on pages 7 to 10 of the Annual Report and these financial statements should be read in conjunction with this report.

The notes on pages 27 to 38 form an integral part of these financial statements.

Approved by the Trustee on 9 March



Richard Hubbard
Representing Capital Cranfield Pension Trustees Ltd

2023 and signed on its behalf by:

Chair of Trustee Board

METHODIST MINISTERS' PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Methodist Ministers' Pension Scheme ("the Scheme") is an occupational pension scheme established under trust. The Scheme was established to provide retirement benefits to the Ministers of the Methodist Church. The registered address of the Scheme is Methodist Church House, 25 Tavistock Place, London, WC1H 9SF.

The Scheme is a defined benefit scheme which remains open to new members and future accrual.

The Scheme is a registered pension scheme under Chapter 2, Part 4 of the Finance Act 2004. This means that contributions made by the Church and members are normally eligible for tax relief, and income and capital gains earned by the Scheme receive preferential tax treatment.

2. STATEMENT OF COMPLIANCE

The financial statements of the Scheme have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (Revised 2018) ("the SORP").

3. IDENTIFICATION OF THE FINANCIAL STATEMENTS

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is included in the Trustee's Report.

4. ACCOUNTING POLICIES

The principal accounting policies which the Trustee has adopted are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

(a) Valuation of investments

Investment assets are included in the financial statements at fair value. Investments are stated as follows:

- Epworth assets at bid price.
- Threadneedle property fund is stated at net asset value (NAV) and Mayfair Capital Fund is stated at bid price.
- The Partner Group fund is stated at Net Asset Value (NAV).
- The pooled LDI assets are stated at Net Asset Value (NAV).

The value of the unquoted equity investment involves examining ratios of the underlying company's performance.

METHODIST MINISTERS' PENSION SCHEME

4. ACCOUNTING POLICIES (continued)

(b) Investment income and expenditure

Investment income is accounted for on an accruals basis applied on a consistent basis.

Dividends within the pooled funds are accrued on an ex-div basis. Dividends from the unquoted equity are accounted for when the dividend is declared. Income from fixed interest securities, index-linked securities, cash and short term deposits is accounted for on an accruals basis. The change in market value of investments during the year comprises all increases and decreases in market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, where income is reinvested within the fund without issue of further units, change in market value also includes such income.

There are no direct investment management fees chargeable to the Scheme other than the fees payable to BMO Global Asset Management Limited. The majority of the Scheme funds are invested in managed pooled investment funds and the underlying investment manager fees are deducted from the net asset value of the pooled investments.

Transaction costs are included in the cost of purchases and deducted from sales proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other duties.

(c) Other income

Legacies and donations are only included as income in the Fund Account on a receipts basis.

(d) Contributions and benefits

Member contributions

Member contributions, including AVCs, are accounted for when deducted from members' stipend. However, contributions in respect of members in the first 30 days following auto-enrolment are accounted for when their right to opt out has expired, unless remitted to the Scheme earlier.

Conference contributions

Normal contributions are accounted for on the same basis as member contributions.

Deficit funding and other contributions by Conference are accounted for on the due dates set out in the Schedule of Contributions, or on receipt if earlier, with the agreement of Conference and the Trustee.

Benefits and payments to leavers

Benefits and payments to leavers are accounted for in the period they fall due for payment.

Where members can choose whether to take their benefits as a full pension or a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised.

METHODIST MINISTERS' PENSION SCHEME

4. ACCOUNTING POLICIES (continued)

(e) Transfers to / from other pension schemes

Transfer values are accounted for at values calculated in accordance with the advice of the Actuary and accounted for when the benefits become due for payment. Individual transfers are accounted for when the transfer has been agreed by both parties and the receiving scheme has accepted liability for the transfer.

(f) Currency

The Scheme's functional currency and presentational currency is pounds sterling (GBP). Monetary assets and liabilities in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date. Other transactions are translated into sterling at the rate ruling on the date of the transaction.

Gains and losses arising on conversion or translation are dealt with as part of the change in market value of investments.

(g) Additional Voluntary Contributions

AVCs are accounted for on an accruals basis and the resulting investments are included in the net asset statement.

(h) Administration Expenses

Administration expenses are accounted for on an accruals basis. For significant consultation projects, the proportion of work completed by the year end is accounted for.

(i) Cash

Cash at bank not held within the investment portfolio is treated as a current asset.

(j) Critical accounting judgements and estimation uncertainty

The preparation of the financial statements requires the Trustee to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Given the nature of the transactions and balances held by the Scheme, the Trustee is of the view that there are no critical accounting judgements nor estimation uncertainty.

METHODIST MINISTERS' PENSION SCHEME

5. CONTRIBUTIONS

	2022 £	2021 £
<u>Conference</u>		
Normal contributions	8,111,880	7,597,118
Expense contributions	<u>828,045</u>	<u>847,612</u>
	8,939,925	8,447,730
 <u>Membership</u>		
Normal contributions	2,792,638	2,896,587
Additional voluntary contributions	<u>486,648</u>	<u>484,677</u>
	3,279,286	3,381,264
	12,219,211	11,825,994

6. TRANSFERS IN

	2022 £	2021 £
Individual transfers in from other schemes	<u>235,984</u>	<u>228,880</u>

7. OTHER INCOME

	2022 £	2021 £
Donations	<u>496</u>	<u>3,650</u>

8. BENEFITS PAID OR PAYABLE

	2022 £	2021 £
Pensions payable	18,251,628	18,205,568
Retirement grants and lump sums	2,652,377	1,702,019
Death in service grants	206,292	314,263
Grants in respect of members who died within 5 years of retirement	<u>39,796</u>	<u>86,128</u>
	21,150,093	20,307,978

9. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2022 £	2021 £
Individual transfers out	<u>223,976</u>	<u>108,999</u>

METHODIST MINISTERS' PENSION SCHEME

10. ADMINISTRATION EXPENSES

	2022 £	2021 £
Management and accountancy	263,905	270,746
Audit fees	20,399	20,997
Actuarial and consultancy fees	306,315	302,992
Legal fees	319,053	103,946
Investment consultant	344,837	218,525
PPF levy	115,848	163,119
Bank charges	6,608	6,395
Trustee remuneration	25,083	19,651
Other	52,533	67,951
	<u>1,454,581</u>	<u>1,174,322</u>

11. INVESTMENT INCOME

	2022 £	2021 £
Distributions on CFB / Epworth funds	6,107,744	8,836,165
Distributions on property funds	2,413,094	2,274,044
Distributions on unquoted equity	3,514	2,676
Distributions on AXA Bespoke Buy & Maintain Credit Fund	1,933,334	-
Exchange gains / losses	(36,877)	3,913
Interest on cash deposits	46,623	29,998
	<u>10,467,432</u>	<u>11,146,796</u>

12. RECONCILIATION OF INVESTMENTS

	Value at 1 September 2021 £	Purchases at cost £	Sales proceeds £	Change in market value £	Value at 31 August 2022 £
Pooled investment vehicles	513,900,732	201,208,794	(317,377,023)	(92,325,609)	305,406,894
AVC investments	3,159,680	364,981	(369,253)	(341,985)	2,813,423
AXA Bespoke Buy & Maintain Credit Fund	-	153,929,930	-	(17,241,459)	136,688,471
Unquoted equities	29,445	-	-	(135)	29,310
	<u>517,089,857</u>	<u>355,503,705</u>	<u>(317,746,276)</u>	<u>(109,909,188)</u>	<u>444,938,098</u>
Accrued interest	1,499,306				2,105,315
Deposit fund	27,490,441				5,011,724
Total investments	<u>546,079,604</u>				<u>452,055,137</u>

The change in market value of investments during the year comprises all the increases and decreases in the market value of investments held at any time during the year.

Transaction costs are included in the cost of purchases and deducted from sales proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees. The amount of indirect costs is not separately provided to the Scheme.

METHODIST MINISTERS' PENSION SCHEME

13. INVESTMENT MANAGEMENT EXPENSES

	2022 £	2021 £
Investment managers fees	3,611,184	2,453,945
Investment managers rebate	<u>(24,346)</u>	<u>(27,278)</u>
	<u>3,586,838</u>	<u>2,426,667</u>

14. POOLED INVESTMENT VEHICLES

The Scheme's investment in pooled investment vehicles at the year-end comprised:

	2022 £	2021 £
Equity	151,859,679	251,574,870
Bonds	-	87,501,715
Gilts	-	-
LDI	77,319,035	110,256,371
Property	46,701,956	48,604,841
Multi Asset	<u>29,526,224</u>	<u>15,962,935</u>
	<u>305,406,894</u>	<u>513,900,732</u>

15. AVC INVESTMENTS

The investments separately identified as relating to AVCs are held for contributions made to the post 2006 money purchase AVC scheme. They are invested as an integral part of the Scheme's assets. Included within the main investments above are assets securing additional benefits on a money purchase basis for those members who had elected to pay AVCs under the previous AVC Scheme.

16. FAIR VALUE HIERARCHY

The fair value of financial instruments has been estimated using the following fair value hierarchy:

Level	Valuation basis
1	The unadjusted quoted price in an active market for identical assets which the entity can access at the assessment date
2	Inputs other than the quoted prices included within Level 1 which are observable (i.e. developed for the asset either directly or indirectly)
3	Inputs which are unobservable (i.e. for which market data is unavailable) for the asset

METHODIST MINISTERS' PENSION SCHEME

16. FAIR VALUE HIERARCHY (continued)

The Scheme's investment assets and liabilities fall within the above hierarchy as follows:

	At 31 August 2022			Total
	Level 1	Level 2	Level 3	
	£	£	£	£
Pooled investment vehicles	-	305,406,894	-	305,406,894
AVC investments	-	2,813,423	-	2,813,423
AXA Bespoke Buy & Maintain Credit Fund	-	136,688,471	-	136,688,471
Unquoted equities	-	-	29,310	29,310
Accrued interest	2,105,315	-	-	2,105,315
Deposit Fund	-	5,011,724	-	5,011,724
	2,105,315	449,920,512	29,310	452,055,137

	At 31 August 2021			Total
	Level 1	Level 2	Level 3	
	£	£	£	£
Pooled investment vehicles	-	449,332,955	64,564,777	513,897,732
AVC investments	-	3,159,680	-	3,159,680
Unquoted equities	-	-	29,445	29,445
Accrued interest	1,499,306	-	-	1,499,306
Deposit Fund	-	27,490,441	-	27,490,441
	1,499,306	479,983,076	64,594,222	546,076,604

The investments above separately identified as relating to AVCs are held for contributions made to the post 2006 money purchase AVC scheme. Included within the main investments above are assets securing additional benefits on a money purchase basis for those members who had elected to pay AVCs under the previous AVC scheme.

17. INVESTMENT RISK DISCLOSURES

When deciding how to invest the Scheme's assets, the Trustee considers a wide range of risks, including credit risk and market risk, as defined below.

Credit risk: This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate and inflation rate risk and other price risk, defined as follows:

METHODIST MINISTERS' PENSION SCHEME

17. INVESTMENT RISK DISCLOSURES (continued)

- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk and inflation rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates or expected inflation rates.
- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate and inflation rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee determines the Scheme's investment strategy after obtaining written professional advice from its professional investment adviser. The Scheme has exposure to the aforementioned risks because of the investments held to implement the investment strategy. The Trustee manages investment risks, including credit risk and market risk, considering the Scheme's investment objectives and strategy, and the advice of its investment advisers.

Within each investment portfolio, investment objectives and restrictions to manage risk are implemented through the legal agreements in place with the Scheme's investment managers. The Trustee monitors the performance of the strategy and associated risks, and each investment manager against its objectives and restrictions, on a regular basis.

The table below summarises the Scheme's investments that have significant exposure to indirect credit and market risks.

Fund	Credit risk	Currency risk	Interest rate risk	Other price risk
CFB UK Equity Fund	○	○	○	●
CFB Overseas Fund	○	●	○	●
CFB UK Corporate Bond Fund	●	○	●	○
Mayfair Capital Property Unit Trust	○	○	○	●
CTI TPUT	○	○	○	●
Partners Group PG Life 2018	●	●	○	●
CTI Short Profile Real Dynamic LDI Fund	●	○	●	○
CTI Short Profile Nominal Dynamic LDI Fund	●	○	●	○
CTI Nominal Dynamic LDI Fund	●	○	●	○
CTI LDI Private Sub-Fund	●	○	●	○
AxA Bespoke B&M Fund	●	○	●	○
CFB Deposit Fund	●	○	○	○

Key: The risk noted affects the fund significantly (●) or hardly/ not at all (○).

METHODIST MINISTERS' PENSION SCHEME

17. INVESTMENT RISK DISCLOSURES (continued)

Further information on these risks and the Trustee's approach to risk management is set out below. This does not include the AVC investments, as these are not considered significant in relation to the overall investments of the Scheme. The risks are viewed at the mandate level, rather than on a "look through" basis, given the Scheme's sole investor mandates are specialist in nature. The LDI mandate with CTI invests only in government bond and derivative positions for the purposes of hedging movements in the Scheme's liabilities arising from movements in nominal and real interest rates. The credit mandate with AXA invests only in corporate bonds denominated in GBP, EUR or USD and only holds derivatives for the purposes of hedging currency and overseas interest rate risks.

Credit risk

The Scheme is subject to credit risk through its investments in pooled investment vehicles and sole investor arrangements. It is directly exposed to credit risk in relation to the solvency of the custodians of those funds.

As at 31 August 2022 around 55% (2021: 44%) of the Scheme's assets were invested in funds or securities that are significantly exposed to credit risk.

The role of a custodian is to ensure the safe-keeping of the assets and facilitate all transactions entered into by the appointed investment managers. The Trustee is not responsible for the appointment of the custodian of the assets contained within the various pooled fund investments. The pooled investment vehicle's governing body is responsible for appointing its own custodian for the safe-keeping, monitoring and reconciliation of documentation relating to these securities.

The Scheme's holdings in pooled investment vehicles are 'unrated' from a credit perspective. Direct credit risk arising from pooled investment vehicles is mitigated by: the underlying assets of the pooled arrangements being ring-fenced from the assets of the custodian and the investment manager; the regulatory environments in which the pooled fund managers operate; and diversification of the Scheme's investments across a number of pooled funds. The Trustee carries out due diligence checks on investments into new pooled funds and on an ongoing basis monitors any changes to the operating environment of those pooled funds. The Trustee also carries out due diligence checks on new appointments of investment managers and custodians for sole investor arrangements and on an ongoing basis monitors any changes to the operating environment of these entities.

The Scheme is indirectly exposed to credit risks arising from the underlying investments held by the pooled funds, for example where they invest in bonds and derivative instruments. The indirect exposure to credit risk arises from the Scheme's investments in the Partners Group PG Life 2018, CTI LDI Private Sub-Fund, AXA Bespoke B&M Fund and CFB Deposit Fund. The amount invested in each of these mandates is shown in the Statement of Net Assets.

The managers of the pooled funds that invest in fixed income manage credit risk by having a diversified exposure to issuers, conducting thorough research on the probability of default of those issuers, and having only a limited exposure to securities rated below investment grade. The magnitude of credit risk within each fund will vary over time, as the manager changes the underlying investments in line with its views on markets, asset classes and specific securities.

Within the LDI portfolio, there is exposure to credit risk as the LDI portfolio manager uses derivative instruments to match the Scheme's liabilities.

METHODIST MINISTERS' PENSION SCHEME

17. INVESTMENT RISK DISCLOSURES (continued)

The terms under which the LDI portfolio is managed include provisions to manage the exposure to credit risk, such as limits on the exposure to any single counterparty and minimum credit ratings that all counterparties must meet. In addition, the derivative positions are collateralised daily so as to aim to limit credit risk to one day's market movements.

Currency risk

As the Scheme's liabilities are denominated in Sterling, any non-Sterling currency exposure within the assets presents currency risk.

Whilst the majority of the currency exposure of the Scheme's assets is to Sterling, the Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets. The Trustee considers the overseas currency exposure in the context of the overall investment strategy, and believes that the currency exposure that exists diversifies the strategy and is appropriate. Furthermore, the Trustee manages the amount of currency risk by investing in pooled funds that hedge some or all of their currency exposure, or implement separate currency hedging arrangements.

As at 31 August 2022 around 24% (2021: 26%) of the Scheme's assets were invested in funds or securities that are significantly exposed to currency risk.

The majority of the Scheme's pooled funds are accessed via a Sterling share class. Therefore, only the Scheme's investment with Partners Group, which is invested in via an EUR share class is subject to direct currency risk. The Scheme's assets that are exposed to indirect currency risk are the CFB Overseas Fund and Partners Group PG Life 2018, which invests in non-Sterling investments that are not currency hedged. The amount invested in each of these mandates is shown in the Statement of Net Assets.

The exposure to foreign currencies within the pooled funds will vary over time as the manager changes the underlying investments, but is not expected to be a material driver of returns over the longer term. Decisions about the exposure to foreign currencies within the pooled funds held are at the discretion of the appointed fund managers.

Interest rate and inflation risk

Interest rate risk and inflation risk is a material risk for the Scheme given that movements in interest rates and inflation are a material influence on the value of the liabilities assessed in present day terms. Some of the Scheme's assets are subject to interest rate risk (both nominal and real interest rates). However, the overall interest rate exposure of the Scheme's assets hedges part of the corresponding risks associated with the Scheme's liabilities. The net effect will be to reduce the volatility of the funding level, and therefore the Trustee believes that it is appropriate to have exposure to interest rate risk in this manner.

The only assets the Scheme invests in with material exposure to changes in interest rates are the CTI LDI Private SubFund and AXA Bespoke B&M Fund. The amount invested in each of these mandates is shown in the Statement of Net Assets.

As at 31 August 2022 around 48% (2021: 37%) of the Scheme's assets were invested in funds or securities that are significantly exposed to interest rate and/or inflation risk.

METHODIST MINISTERS' PENSION SCHEME

17. INVESTMENT RISK DISCLOSURES (continued)

Other price risk

The Scheme's assets are exposed to risks of market prices other than currencies and interest rates, such as the pooled funds that hold equities being subject to movements in equity prices.

As at 31 August 2022 around 51% (2021: 59%) of the Scheme's assets were invested in funds or securities that are significantly exposed to other price risk.

The Trustee monitors this risk on a regular basis, looking at the performance of the Scheme as a whole as well as each individual portfolio. The Trustee believes that the Scheme's assets are adequately diversified between different asset classes and within each asset class to manage this risk.

18. CONCENTRATION OF INVESTMENTS

The investments at the year-end which are 5% or more of the total value of the net assets of the Scheme comprise:

	2022		2021	
	£'000	%	£'000	%
UK Equity	74,587	16	126,301	22
Overseas	77,273	17	125,274	22
Corporate Bond	-	-	87,502	15
BMO LDI	77,319	17	110,256	19
Mayfair Property Funds	25,080	5	26,132	5
AXA Bespoke Buy & Maintain Credit Fund	136,638	30	-	-

19. CURRENT ASSETS

	2022	2021
	£	£
Cash at bank	11,240,134	29,070,775
Cash receivable from sales of investments	-	4,300,008
Other	295,007	73,826
	11,535,141	33,444,609

20. CURRENT LIABILITIES

	2022	2021
	£	£
Other liabilities	181,957	265,254
Cash payables to investments purchased	-	3,100,000
Unpaid benefits	2,507,978	1,857,063
	2,689,935	5,222,317

21. EMPLOYER-RELATED INVESTMENTS

As at 31 August 2022 there were no Employer-related investments in the Scheme, within the meaning of Section 40(2) of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005.

METHODIST MINISTERS' PENSION SCHEME

22. RELATED PARTY TRANSACTIONS

During the year, the Scheme paid £309,725 (2021: £315,006) to the Methodist Church Fund (MCF), for staff and overhead costs incurred in running the Scheme. This consisted of accountancy fees of £76,906 (2021: £75,030) and amounts paid via the MCF as paying agent totalling £218,709 (2021: £239,976), and rent service charges were £14,110 (2021: Nil).

During the year, the Scheme charged the Pensions & Assurance Scheme for Lay Employees of the Methodist Church £44,885 (2021: £47,995) for costs incurred in running that scheme.

Capital Cranfield Pension Trustees Limited who was represented by Ms Ingrid Kirby up to 31 August 2022, is remunerated under the terms of the agreement signed in April 2021. During the year fees of £25,083 (2021: £19,651) were paid to Capital Cranfield Pension Trustees Limited. Other Directors of the Trustee Board are not remunerated.

There are four Member Nominated Directors each of whom serve for a period of three years and who may stand for re-election. Revd Sydney Samuel Lake, Revd Eleanor Smith and Revd Andrew Walker served on the Board during the year representing active members of the Scheme. Each paid contributions during the Scheme year in accordance with the Scheme rules. Revd Dr John Illsley served on the Board as representative of the retired members.

During the year Epworth levied management and administration charges to the Epworth Investment and Deposit Funds.

METHODIST MINISTERS' PENSION SCHEME

ACTUARIAL CERTIFICATE OF THE SCHEDULE OF CONTRIBUTIONS

Name of scheme: **Methodist Ministers' Pension Scheme**

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 1 September 2020 to be met by the end of the period specified in the recovery plan agreed on 19 April 2022.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles agreed on 19 April 2022.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature	Diana Simon	Date	29 April 2022
Name	Diana Simon (Scheme Actuary)	Qualification	Fellow of the Institute and Faculty of Actuaries
Address	PO Box 68 Albert House South Esplanade St Peter Port Guernsey GY1 3BY	Name of Employer	BWCI Consulting Limited

METHODIST MINISTERS' PENSION SCHEME

HELP AND ADVICE

Any queries about the Scheme generally, or about individual's entitlement to benefit, or any request for further information about the Scheme, should be addressed to the Pensions Manager at:

Methodist Church House
25 Tavistock Place
London
WC1H 9SF

☎ 020 7467 5287

✉ pensionshelp@methodistchurch.org.uk

MONEY HELPER

Money Helper is available to assist members and beneficiaries of the Scheme in connection with difficulties that they have failed to resolve with the trustees or the Scheme administrators. Money Helper can also provide free information and guidance on pensions. It is an independent non-profit organisation, with volunteer advisers who are experts in pension matters. Money Helper can be contacted at:

☎ 0800 011 3797

Website: www.moneyhelper.org.uk

[Web Form](#)

THE PENSIONS OMBUDSMAN

The Pensions Ombudsman will investigate and determine any complaint or dispute of fact or law in relation to an Occupational Pension Scheme. A completely independent impartial adjudicator where there is no charge for the service. The Pensions Ombudsman can be contacted at:

Pensions Ombudsman Service
10 South Colonnade
London
E14 4PU

☎ 0800 917 4487

✉ enquiries@pensions-ombudsman.org.uk

Website: www.pensions-ombudsman.org.uk

PENSION TRACING

The Pension Tracing Service is a free government service set up to help find missing pensions. You can also find contact details for workplace or personal pension schemes. The Pension Tracing Service can be contacted at:

The Pension Service
Post Handling Site A
Wolverhampton
WV98 1AF

☎ 0800 731 0193

Website: www.gov.uk/find-pension-contact-details

[Web Form](#)

Implementation Statement, covering 1 September 2021 to 31 August 2022

The Trustee of the Methodist Minister's Pension Scheme (the "Scheme") is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed the voting and engagement policies in its Statement of Investment Principles ("SIP") during the Year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the Year by, and on behalf of the Trustee (including the most significant votes cast by the Trustee or on its behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 below.

1. Introduction – Last review of the voting and engagement policies

Material changes to the investments during the year ended 31 August 2022 are set out below:

- The Trustee agreed to de-risk the Scheme's assets in November 2021, reducing the allocation to equities and increasing the allocation to cash and LDI assets. The Scheme also increased interest rate and inflation hedging levels. An amended SIP reflecting this was produced in September 2021.
- The Trustee also agreed to further de-risk the Scheme over Q1 2022, reducing the allocations to equities and property and investing in a new AXA bespoke Buy & Maintain Credit mandate which replaced the CFB UK Corporate Bond Fund. The Scheme also implemented a new bespoke CTI LDI mandate, replacing the pooled dynamic LDI funds previously held. The Scheme also removed the active asset allocation discretion within Epworth's mandate. An amended SIP reflecting this was produced in May 2022.

As part of these SIP updates, the employer was consulted and raised no objections to the changes.

The Trustee has, in its opinion, followed the Scheme's voting and engagement policies during the Year, by continuing to delegate to its investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes. The Trustee took steps to review the Scheme's existing managers and funds over the Year, as described in Section 2 (Voting and engagement) below.

Where possible the Trustee seeks to appoint fund managers which manage assets in a manner consistent with its policies on responsible investment and its investment beliefs. The Trustee's policies on responsible investment are set out in its Responsible Investment Policy document, last updated in May 2021.

2. Voting and engagement

As part of its advice on the selection and ongoing review of the investment managers, the Scheme's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to voting and engagement.

When managers Columbia Threadneedle ("CT"), Epworth Investment Management Limited ("Epworth") and Partner's Group ("Partners") presented to the Trustee during the reporting period, the Trustee asked several questions about the managers' voting, engagement and responsible investment practices and were satisfied with the answers they received. The Trustee also reviewed reports from their managers on voting and engagement activities undertaken on their behalf. The Partners Group fund in which the Scheme invests has a dual mandate – as well as generating returns it also seeks to make a positive impact in addressing challenges in line with the UN's Sustainable Development Goals (SDGs).

The Methodist Church Joint Advisory Committee on the Ethics of Investment ("JACEI") performed an independent review of the Epworth investments managed by the Central Finance Board of the Methodist Church ("CFB"), covering their voting and engagement activities. This review confirmed that "The Committee judges that the CFB (Epworth) has managed the funds under its control in support of an ethical stance which is in accordance with the aims of the Methodist Church".

For the Scheme's new AXA bespoke Buy & Maintain credit mandate (first invested in Q1 2022) the Trustee put in place a list of companies which are excluded from investment as they are not consistent with its policies. In order to determine this list the Trustee engaged Epworth to make use of its expertise in responsible investment. AXA are also managing the mandate with a trajectory towards net zero in mind – the Trustee expects to receive regular reporting on this moving forward.

All of the Scheme's managers other than Partners Group are also signatories of the UK Stewardship Code, which the Trustee is supportive of.

3. Description of voting behaviour during the year

All of the Scheme's holdings in listed equities are within pooled funds and the Trustee has delegated to its investment managers the exercise of voting rights. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the Year.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, on the Scheme's funds that hold equities as follows:

- CFB UK Equity Fund;
- CFB Global Equity Fund

The Trustee has sought to obtain the relevant voting data for Sections 3.2 and 3.3, from the investment manager, Epworth / CFB.

In addition to the above, the Trustee contacted the Scheme's other asset managers that do not hold listed equities, to ask if any of the assets held by the Scheme had voting opportunities over the Year. However, the property, corporate bond and LDI managers confirmed that no such opportunities were available.

Partners Group confirmed that the impact investment mandate does not include listed equities and there are no "voting" opportunities within the fund. Partners Group do however have significant control and influence over the underlying companies and have provided examples of their activity including:

- Improving HR data collection at one company to enable better understanding of its employees, later resulting in Diversity and Inclusion initiatives.
- Encouraged underlying company to publish first Corporate Sustainability Report, laying out detailed roadmap for developing carbon neutrality target and a target to increase proportion of management who are women.
- Creation of a "career institute" to support employee training and certification, including contracting with educational institutions to provide training and certifications, and support for tuition payment and reimbursement programmes.

3.1 Description of the voting processes

Epworth:

- Epworth votes according to a template it agrees and helps construct each year, as members of the Church Investors Group (CIG). This policy is available to clients, and it reports on its implementation regularly to the Scheme.
- Epworth votes in line with the CIG policy on voting. This is implemented by Institutional Shareholder Services (ISS).
- Epworth utilises ISS to enact the CIG policy on its behalf.

3.2 Summary of voting behaviour over the year

A summary of voting behaviour over the period is provided in the table below.

	Fund 1	Fund 2
Manager name	Epworth Investment Management Limited	Epworth Investment Management Limited
Fund name	CFB UK Equity Fund	CFB Global Equity Fund
Total size of fund at end of the Year	£211m	£161m
Value of Scheme's assets at end of the Year (£ / % of total assets)	£75m	£77m
Number of equity holdings at end of the Year	68	231
Number of meetings eligible to vote	73	227
Number of resolutions eligible to vote	1,385	3,532
% of resolutions voted	100%	100%
Of the resolutions on which voted, % voted with management	88%	76%
Of the resolutions on which voted, % voted against management	12%	24%
Of the meetings in which the manager voted, % with at least one vote against management	78%	84%

3.3 Most significant votes over the year

Commentary on the most significant votes over the Year, from the Scheme's asset managers who hold listed equities, is set out below.

Epworth

Epworth has interpreted "most significant votes" to mean votes pertaining to the companies with the largest position in the funds, and a high governance risk score from ISS. Alternatively, they are votes pertaining to companies where Epworth / CFB has co-filed a resolution or has a particular interest in a resolution.

METHODIST MINISTERS' PENSION SCHEME

3.3.1 CFB UK Equity Fund

CFB UK Equity Fund										
	Vote 1	Vote 2	Vote 3	Vote 4	Vote 5	Vote 6	Vote 7	Vote 8	Vote 9	Vote 10
Company name	Berkeley Group Holdings	Ashtead Group Plc	XP Power Ltd.	NatWest Group Plc	Barclays PLC	Standard Chartered Plc	Next Plc	BT Group	Halma	Unilever Plc
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.96%	2.61%	1.13%	0.65%	1.64%	0.94%	0.47%	0.63%	0.53%	5.29%
Date of Vote	03-Sep-21	16-Sep-21	14-Apr-22	28-Apr-22	04-May-22	04-May-22	19-May-22	14-Jul-22	21-Jul-22	28-Apr-22
Summary of the resolution	Approve remuneration report	Approve remuneration policy	Elect Director	Elect Director	Approve political donations and expenditure	Elect Director	Approve remuneration report	Elect Director	Approve remuneration report	Approve remuneration report
How you voted	Against									
Where you voted against management, did you communicate your intent to the company ahead of the vote?	The CFB sends letter to all members of the FTSE 350 outlining its voting intentions on an annual basis.									
Rationale for the voting decision	Concerns over performance metrics used within variable remuneration schemes	Concern over the level of annual bonuses	Concerns over audit independence	Concerns over sub-board level gender diversity	Concerns over level of political donations	Concern over board level gender diversity	Concerns over performance metrics used within variable remuneration schemes	Responsible for remuneration which doesn't comply with CiG approach	Concern over remuneration scheme breaching local good practice	Concern over the level of annual bonuses

3.3.2 CFB Overseas Equity Fund

CFB Global Equity Fund										
	Vote 1	Vote 2	Vote 3	Vote 4	Vote 5	Vote 6	Vote 7	Vote 8	Vote 9	Vote 10
Company name	Nike Inc	Tesla Inc	The Coca-Cola Company	Wells Fargo & Company	AbbVie Inc	Zebra Technologies Corporation	JP Morgan Chase	Meta Platforms	Infotel	NVIDIA Corporation
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.29%	1.15%	0.38%	0.26%	0.39%	1.08%	0.58%	0.68%	1.33%	0.66%
Date of Vote	06-Oct-21	07-Oct-21	26-Apr-22	26-Apr-22	06-May-22	12-May-22	17-May-22	25-May-22	25-May-22	02-Jun-22
Summary of the resolution	Advisory Vote to ratify exec compensation	Shareholder resolution	Elect director	Elect director	Advisory Vote to ratify exec compensation	Advisory Vote to ratify exec compensation	Elect director	Shareholder resolution	Advisory Vote to ratify exec compensation	Elect director
How you voted	Against	For	Against	Against	Against	Against	Against	For	Against	Against
Where you voted against management, did you communicate your intent to the company ahead of the vote?	The voting template is available on the CFB/Epworth websites.									
Rationale for the voting decision	Concern over the level of annual bonuses	Provision of a report on the topic is seen as an enhancement to shareholders understanding of the company's role in these matters	Responsible for remuneration which doesn't comply with CIG approach	Concerns over audit independence	Concern over the level of annual bonuses	Concerns over performance metrics used within variable remuneration schemes	Combined CEO/Chair with no intention to separate	Provision of a report on the topic is seen as an enhancement to shareholders understanding of the company's role in these matters	Concern over remuneration scheme breaches local good practice	Responsible for remuneration which doesn't comply with CIG approach