

## 27. Methodist Ministers' Pension Scheme (MMPS)

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<b>Action Required</b>	Decision
<b>Resolutions</b>	As contained in the paper

### Summary of Content and Impact

<b>Subject and Aims</b>	To update the Conference on several developments regarding the Methodist Ministers' Pension Scheme.
<b>Main Points</b>	Appointment and Reappointment of the Trustee Directors of the Methodist Ministers' Pension Scheme. To note the update on Automatic Enrolment. To consider the Council's recommendation that contracts be entered into with Sector Employers and action to be taken if the full rate of contribution is not paid by a Sector Employer.
<b>Background Context and Relevant Documents (with function)</b>	One-third of the lay directors of the Methodist Ministers' Pension Scheme retire by rotation each year and are eligible for re-appointment to the Board.

### MMPS - Direct contributions and employer responsibilities

#### Background

1. Eligibility to the Methodist Ministers' Pension Scheme (MMPS) is governed by the Rules of the Scheme. Eligibility is not limited to circuit ministry and extends to probationers and all presbyters and deacons in Full Connexion. This includes those stationed as members of staff in training institutions, other bodies within the control of the Methodist Church, and also to those in other external appointments outside the control of the Church, previously referred to in the Standing Orders as the "Sectors". There are approximately 20- 25 Members serving as such in external institutions and other bodies. For convenience, this paper refers to their employers as "Sector Employers" and the employees as "Sector Members".
2. The Rules require member contributions to be paid from their remuneration. Church contributions should be paid by the person responsible for the Member's remuneration. Currently, Sector Employers are required to deduct employee (member) contributions and pay employer (Church) contributions based on the level of Standard Stipend as defined in the rules.

#### Matters to address

3. There are two main issues arising from allowing Sector Members to the MMPS.
4. First, there are no formal agreements in place requiring Sector Employers to make deductions and pay employer contributions at the rates set out in the MMPS Rules. Technically they are not obliged to participate even though they continue to do so.

5. If Sector Employers do not contribute at the set rate, the relevant members are currently asked to make up the shortfall at their own expense, or alternatively, accrue benefits pro rata. Two members currently fall into this category. There is no formal provision for this policy in the Rules to pro rata their benefits in such a way. The Trustees are therefore exposed to a risk of claims arising from a failure to accrue and pay out pensions at the rate set out in the Rules even though the Members concerned have agreed to these special terms. If these terms are to continue then the actuaries recommend that the arrangements are formalised in the Rules themselves.
6. Secondly, there is no certainty as to whether the Sector Employers represent “statutory employers” for the purposes of pension law. This definition of an employer is distinct to that of an employer in the context of a regular employment law relationship. A statutory employer is responsible for, amongst other matters, meeting a scheme’s funding obligations and debts and for contributing towards any deficit in the scheme in certain statutorily defined circumstances (a “section 75 liability”). This includes contributing to the deficit when it leaves a scheme by no longer employing eligible members.
7. Statutory employers will usually sign deeds of adherence in order to accept their statutory obligations and to agree to pay over contributions.
8. The Trustees of MMPS sought legal advice on whether the Sector Employers are statutory employers. The advice considered recent legislation, case-law and guidance, and confirmed that there is genuine uncertainty as to how a court or the Pensions Regulator would in future view the MMPS and, as such, the responsibilities of the Sector Employers. The advice concluded that the MMPS and Church should amend the Rules and adopt the policies with a view to ensuring, as far as reasonably possible, that the scheme operates as and is seen to be a single-employer one and the Sector Employers are not statutory employers. The recommended course of action is the most appropriate in the current circumstances. If there is clarity about how the law will apply in the future then the situation will be reviewed.
9. The MMPS was intended to be a single-employer scheme. Action therefore needs to be taken to ensure that it does not evolve into a multi-employer scheme as an unintended consequence of some Members’ employer contributions not being paid by the Church, together with subsequent changes to the legal framework.

#### **Trustee view**

10. The Trustees of MMPS have indicated that their preference is to remain a single-employer scheme. They have agreed, in principle, to amend the MMPS Rules to state explicitly that the Church is the sole statutory employer for the purposes of pension law and that no other employers are to be regarded as statutory employers. The Trustees do not require a resolution of the Conference to make this clarification.
11. The Trustees could require Sector Employers to enter into simple contractual arrangements which oblige them in law to pay employer contributions at the rate set by the Rules, but make clear that they are not statutory employers for the purposes of section 75 responsibilities.
12. Sector Employers may not be receptive to such arrangements and they may indeed refuse to enter into them. They are however more likely to agree to these than enter into full deeds of adherence. It would be clear to any minister considering accepting a post with such an

employer that this would potentially affect their pension provision and they would need to weigh that when deciding to accept the post.

13. For Sector Employers that refuse, there is a theoretical possibility that the Conference could consider funding shortfalls to mitigate the risk posed to the Trustees. This would raise the issue of how this was funded – the Conference may not wish for Circuits to make up this shortfall via the Methodist Church Fund (MCF) simply because some employers are not prepared to pay their contributions. In addition, the Trustees consider such an approach may not be entirely equitable to all Members of the MMPS. Moreover, it would involve a policy decision that it is for the Conference and not the Trustees to make.
14. The alternative option is that the Trustees either temporarily or permanently exclude Sector Members whose employers do not contribute at the set rate. This approach could be adopted for all Sector Employers, including current employers. Alternatively, to mitigate the risk of claims or grievances from current Sector Members, it could just apply to future employers.
15. The Trustees require the approval of the Conference to alter eligibility criteria. However, without changing the eligibility criteria, they may be able to amend the Rules to make it clear that if a Member's employer contributions are not paid at the set rate then that Member will be temporarily suspended from the Scheme. In such cases they would be able to re-enter the scheme upon being stationed into an appointment within the control of the Church. A number of ministers already take this option in such circumstances. Any amendment to the Rules must have regard to advice from the Committee on Methodist Law and Polity and, as such, the Trustees will seek agreement of the Conference to approach all Sector Employers to enter into contractual arrangements to contribute at the rate set by the MMPS Rules. Those Sector Members whose employer did not contribute at the agreed rate would be temporarily suspended, or treated as accruing pro-rated service.

#### **Recommendation of the Trustee**

16. The Methodist Council has passed a resolution agreeing to the Trustee's request to recommend to the Conference as follows:

#### **Recommendation of the Council**

17. The Council recommends that the Conference agrees that the Trustees enter into contractual arrangements with all Sector Employers to contribute at the rate set by the MMPS rules and temporarily to suspend, or pro-rata, pensionable service for those Sector Members whose employers do not contribute at the full rate.

#### **Increase in pensions in payment**

18. The rules of the Scheme provide for an annual increase in pensions in payment on 1 September each year in line with the annual rise in the Index of Retail Prices (RPI) as published in the preceding January. The increase is subject to a maximum of 5% on pensions earned in respect of pensionable service before 1 September 2006 and a maximum of 2.5% on pensions earned for pensionable service completed after 31 August 2006.
19. The increase in the RPI in the year to 1 January 2014 is 2.8%. In view of the current funding position of the Scheme the Trustee is unable to recommend to the Conference an increase above the guaranteed increase.

20. The pre 1 September 2006 pensions will increase by 2.8% and the post 1 September 2006 pensions by 2.5%. This will be applied from 1 September 2014 to pensions in payment which commenced on or before 31 August 2013 and to ill health pensions which commenced on or before 1 September 2013.

#### **Directors of Methodist Ministers' Pension Trust Limited**

21. Mr Robin Harris has resigned as director of Methodist Ministers' Pension Trust from 30 June 2013. The Trustee Board appointed Mr John Wyatt on a casual basis from 1 December 2013 to retire by rotation on 31 August 2014. Mr John Wyatt is willing to continue to serve. On the recommendation of the Methodist Council, Mr John Wyatt is nominated for appointment to the Board from 1 September 2014.
22. On the recommendation of the Methodist Council, Mr Keith Woodley and Mr Ron Calver, retiring directors of Methodist Ministers' Pension Trust Limited, are nominated for re-appointment.
23. The Revd Stuart Bell has been re-elected as director of Methodist Ministers' Pension Trust Limited by the active members of the Scheme and will be re-appointed to the Board from 1 September 2014.

24. The full list of directors of Methodist Ministers' Pension Trust will be:

The Revd Stuart Bell, Mr Ronald Calver, Mr Graham Danbury, Mrs Ruth Edmondson, the Revd Michael Giles, Mr Colin Pearson, the Revd Andrew Walker, Mr Keith Woodley (Chair) and Mr John Wyatt.

#### **Auto Enrolment update**

25. The 2012 Conference agreed that the MMPS should be used as the qualifying scheme for automatic enrolment and the staging date was 1 September 2013.
26. The Methodist Council agreed that the Pension & Assurance Scheme for Lay Employees of the Methodist Church (PASLEMC) should be used as the qualifying scheme for automatic enrolment for its employees. The staging date was brought forward by one month to 1 September 2013 to coincide with the MMPS staging date.
27. 146 Ministers were automatically enrolled on to MMPS from 1 September 2013 and 8 have subsequently elected to opt out.
28. The MMPS and PASLEMC are both registered as qualifying schemes with the Pensions Regulator. The certificate is valid for three years and then they need to be renewed. The renewal will be incorporated as part of the triennial valuation of the Schemes to minimise cost.

## **Legacies to Methodist Ministers' Pension Scheme**

29. MMPS has received a number of legacy payments from former members or their spouse over the years. The Trustee would like the Conference to note their appreciation of such payments.

### **\*\*\*RESOLUTIONS**

- 27/1. The Conference received the Report.**
- 27/2. The Conference noted that the Trustees would amend the MMPS Rules to state explicitly that the Methodist Church is the sole statutory employer for the purposes of pension law and that no other employers are to be regarded as statutory employers.**
- 27/3. The Conference agreed that the Trustees should enter into contractual arrangements with all Sector Employers to contribute at the rate set by the MMPS Rules, and that they should temporarily suspend, or treat as accruing pro-rated service, those Sector Members who do not contribute at the full rate.**
- 27/4. The Conference noted the increases to pensions in payment from 1 September 2014 as set out in the Report.**
- 27/5. The Conference re-appointed Mr Keith Woodley and Mr Ron Calver as directors of Methodist Ministers' Pension Trust Limited.**
- 27/6. The Conference appointed Mr John Wyatt as director of Methodist Ministers' Pension Trust Limited.**