

## Methodist Ministers' Pension Scheme Benefits Review

### Basic Information

<b>Contact Name and Details</b>	Nigel Wrighton, Pensions Manager Ron Calver, Connexional Treasurer Nick Moore, Head of Support Services
<b>Status of Paper</b>	Final
<b>Action Required</b>	Decision
<b>Draft Resolutions</b>	The Council recommends to the Conference: (i) that the scheme remains a defined benefit scheme; (ii) that the rate of pension accrual is reduced from 1/70 <sup>th</sup> of final stipend to 1/80 <sup>th</sup> of final stipend for each year of scheme membership from 1 <sup>st</sup> September 2010; (iii) that the normal pension date from which pension accruing from the 1 <sup>st</sup> September 2010 will be payable is changed from the 31 August in the calendar year of attaining age 65 to the 31 August in the calendar year of attaining the age of 68. (iv) that the additional benefits payable in the event of early retirement through ill-health should be based on a graduated enhancement related to the amount of accrued service. (v) that the AVC (Additional Voluntary Contribution) scheme is more strongly promoted as a means by which scheme members can enhance their pensions.
<b>Alternative Options to Consider, if Any</b>	

### Summary of Content

<b>Subject and Aims</b>	To refine proposals regarding the MMPS benefit review in preparation for presentation to Conference.
<b>Main Points</b>	The paper proposes changes in benefits. Potentially the most sensitive change is a modification to the benefits for ministers retiring early through ill-health. If approved by the Council, these proposals will form the basis of a statutory 60-day consultation with all scheme members prior to Conference.
<b>Background Context and Relevant Documents (with function)</b>	Decisions taken at Conference 2009. SRC paper SRC0945
<b>Consultations</b>	MMPS Trustee Board Connexional Allowances Committee (CAC)

**Summary of Impact**

<b>Standing Orders</b>	
<b>Faith and Order</b>	
<b>Financial</b>	
<b>Personnel</b>	
<b>Legal</b>	
<b>Wider Connexional</b>	The level of contribution required by circuits from 1 September 2010 will be lower than that agreed by Conference 2010.
<b>External (e.g. ecumenical)</b>	
<b>Risk</b>	Retaining a defined benefit scheme means that the church continues to cover the risks of the scheme in the future.

## **Methodist Ministers` Pension Scheme (MMPS) – Review of Benefits**

1. At Conference 2009 considerable disquiet was expressed at the extent of the pension contribution increase that was required following on the latest scheme valuation. In particular there was concern over the need for the second tranche of 7% of stipends payable from 1<sup>st</sup> September 2010. As a consequence of this it was agreed that a set of proposals for reducing the 7% figure would be brought to Conference 2010.
2. The SRC brings to Council the recommendations in this report. The recommendations originated with a group consisting of representatives of the Trustee, the Connexional treasurers and the actuaries to the scheme in their advisory capacity. The proposals of this group were considered by the SRC and also referred to the Connexional Allowances Committee for its views. They were again considered by the SRC before coming to Council in this paper as formal recommendations.
3. There are five recommendations:
  - (i) That the scheme remains a defined benefit scheme;
  - (ii) That the rate of pension accrual is reduced from 1/70<sup>th</sup> of final stipend to 1/80<sup>th</sup> of final stipend for each year of scheme membership from 1<sup>st</sup> September 2010;
  - (iii) That the normal pension date from which pension accruing from the 1<sup>st</sup> September 2010 will be payable is changed from the 31 August in the calendar year of attaining age 65 to the 31 August in the calendar year of attaining the age of 68.
  - (iv) That the benefits payable in the event of early retirement through ill-health should be reduced. At present the pension is based on the member's accrued service at date of retirement, unreduced for payment before Normal Pension Date, plus an enhancement based on the member's prospective service to NPD. It is now proposed that there should be a graduated enhancement related to the amount of accrued service.
  - (v) That the AVC (Additional Voluntary Contribution) scheme is more strongly promoted as a means by which scheme members can enhance their pensions.

### **The Scheme remains a Defined Benefit Scheme**

4. This is a very significant proposal and may come as a surprise to many given the trend in the private sector to defined contribution schemes. A number of factors contributed to this proposal;
  - (i) A defined benefit scheme is in the best interests of scheme members in that it provides them with certainty as to their pension income in retirement. It provides a stable but gradually increasing income and enables proper

financial planning to be undertaken. This is particularly important as far as providing for housing in retirement is concerned.

- (ii) The benefit from a defined contribution scheme is less certain and more variable being dependent on the level of contributions paid to the scheme and the investment returns achieved.
- (iii) A move to defined contribution transfers all economic and longevity risk from the Church to the scheme members. This is arguably a transfer from the party most able to carry risk to members who are least able to carry that risk. This is particularly relevant in
- (iv) The context of members on a low income and who are expected to house themselves in retirement after many years of living in tied housing.
- (v) The risks associated with the current scheme can be broadly divided into longevity risk and economic risks. The bulk of the recent contribution increase was as a result of assumed increases in longevity. The actuaries have allowed fully for the latest projections of longevity and believe any residual risk to be only modest. Substantial economic risks remain, however, and these could become evident as soon as the next scheme valuation in 2011. However, no decision taken now will have any significant impact on the outcome of that valuation and it would be many years before a switch now to a defined contribution scheme would significantly reduce the financial impact of the economic risk in the closed defined benefit scheme.
- (vi) Conference 2009 agreed to the establishment of the pension reserve fund. The purpose of this fund is to help stabilise the level of contributions which are required from the Church as each triennial valuation is undertaken. This reduces the economic risk which would otherwise have to be borne by the Church. (It should be noted that this fund will only have a limited capacity to provide support following on the 2011 valuation).

### **The Rate of Pension Accrual is reduced**

- 5. The proposal is that as from the 1<sup>st</sup> September 2010 the annual rate of pension accrual should be reduced from 1/70<sup>th</sup> of final stipend to 1/80<sup>th</sup> of final stipend. This has no affect on pensions earned prior to that date and so the impact on members due to retire over the next few years is minimal. This would result in a reduction in the scheme contribution rate from 1<sup>st</sup> September 2010 of **2.6%** of stipends.
- 6. There has been a proposal that an alternative option should be considered whereby the pension accrual rate remains at 1/70<sup>th</sup> but the member contribution rate is increased from 9% of stipend to 11.7% of stipend. The problem with this proposal is that, whilst it represents a very good deal for members near to retirement, it is not a good deal for younger members. As such it is difficult to support the proposal. As an alternative we believe stronger emphasis should be

given to the Additional Voluntary Contribution scheme (AVC) and we have covered this in our fifth proposal.

### **The Normal Pension Date should be three years later**

7. This again would only apply to pensions accruing from the 1<sup>st</sup> September 2010.
8. At present a member's Normal Pension Date is 31 August in the calendar year of attaining age 65. (This is not necessarily the date on which ministers can apply to become supernumerary for which see Standing Order 790.) The proposal is to increase the relevant age from 65 to 68. This would result in a reduction in the scheme contribution rate from 1<sup>st</sup> September 2010 of **1.6%** of stipends.
9. This does not affect the age at which ministers can apply to become supernumerary although this will need to be reviewed as the state pension age is increased. As matters currently stand the state pension age is due to increase to 66 by 2026; to 67 by 2036 and to 68 by 2046. The Conservative party has already proposed bringing forward by 10 years the increase to 66 and the Chairman of the group that recommended the current position admits that the group were not sufficiently ambitious. There is considerable debate about the need to, in fact, increase pension age to 70.
10. Acceptance of this proposal means that scheme members would have part of their pension due to be paid from age 65 and part from age 68. The option exists, however, of either seeking to draw pension early or later than the normal pension date. So, for example, a member wishing to draw the full pension from age 65 would receive the full amount of pension accrued before 1<sup>st</sup> September 2010 but would have the pension which accrued after that date and due to be paid from age 68 reduced by about 12% when paid from age 65.

### **The Pension payable on Early Retirement through Ill-health should be reduced**

11. The Trustee of MMPS originally recommended a reduction in the enhancement of the ill health pension benefit from 100% to 50% of the member's prospective service to Normal Pension Date. However some members of the SRC considered this was too harsh a reduction. The Trustee has therefore reconsidered the matter and has now proposed a graduated enhancement based on a proportion of the member's prospective service related to the member's accrued service at the date of retirement. This means that long-serving members retiring due to ill health will receive a pension not dissimilar from the pension they would have received under the current basis but younger members with short service will receive a smaller pension than under the current basis. This is a more equitable method of enhancing the pension and will result in a reduction in the scheme contribution rate from 1 September 2010 of **1%** of stipends.
12. Mercifully the number of ministers that retire early through ill-health is small. As part of its covenant relationship with them the Church provides a range of pastoral and practical support to ensure that it is an action of last resort. An overview of this support and the various benevolent funds available can be found

in appendix 1. The subject has also been investigated by a dedicated working party initiated by the General Secretary. This working party's findings are shown in appendix 2. The Trustee has provided from the actuary details of the proposed graduated calculation method – these form appendix 3.

### **The AVC scheme should be more strongly promoted**

13. This arose as a result of the proposal that consideration be given to increasing the member contribution whilst retaining the 1/70<sup>th</sup> accrual rate. The AVC scheme is effectively a defined contribution top-up arrangement which enables scheme members to increase their pension provision if they wish to do so and can afford the further contribution. An explanatory leaflet is available and personalised benefit illustrations are available from the pensions office. This facility will be of particular interest for members seeing a significant reduction in their pension provision if the proposals in this paper are implemented.

### **Summary**

14. **The SRC is asking Council to accept the five recommendations on page one of this report and to ask the Conference to approve them. Presbyters and deacons will have to be consulted about the changes to the Scheme over a 60-day statutory period prior to Conference. The combined cost saving of the three changes to the Scheme's benefits is 5% of stipends. This would therefore reduce the additional pension contributions due to be paid by Circuits to the Scheme from 7% to 2% of stipends making a revised total Circuit contribution rate of 24% of stipends from September 2010.**

### **Financial background**

Current stipend is £19836.

Full basic state pension is £4953

Second state pension (member with 40 years service) is £2160

### **Example**

Member currently aged 50 who has 10 years service in the scheme with 15 years to go to the current normal pension age of 65 and 18 years to the proposed normal pension age of 68.

Current pension expectation is 25/70ths of £19836 = **£7084**

Pension earned to date is 10/70ths of £19836 = £2834 payable from age 65

Pension to be earned in future is 18/80ths of £19836 = £4463 payable from age 68

If the whole pension is to be paid from age 65 then the future service pension becomes 15/80ths of £19836 = £3719 and then reduced by 12% = £3273

Total pension payable from age 65 is £2834 + £3273 = **£6107**

## **APPENDIX 1: SUPPORT OFFERED TO MINISTERS IN ILL-HEALTH**

### **Background**

The Strategy and Resources Committee (SRC) at its meeting in December 2009 considered the report 'Ministers Pension Fund Benefits Review' (SRC/09/64) about the financial and other benefits available to ministers who took early retirement on grounds of ill health. To assist discussion, and as background to this report, the Committee also considered report SRC/09/64 (B) 'Working Party on early retirement of Presbyters and Deacons due to Ill Health'. This latter report explored a range of issues relating to the ill health retirement process for Methodist Ministers.

In considering these reports, the SRC asked that additional information be provided for the February meeting of Council concerning ill health retirement processes and the pastoral and other support available to Ministers who are faced with the possibility of taking this step. This appendix aims to provide this background information. In addition, its annex one shows the various funds administered by the Connexional Allowances Committee that are available to assist presbyters and deacons that may be affected by these issues.

### **The Ill health retirement process and related support**

A Minister who is experiencing health difficulties will usually discuss this matter in the first instance with their Superintendent and/or District Chair. As part of this process appropriate pastoral support will be offered, where this is deemed necessary, along with the development of strategies to facilitate either a return to work (where the Minister is on long term sick leave) or to continue working, either by means of a reduction in duties or hours, on a temporary, phased basis.

All Ministers automatically have access to the counselling services provided by the Churches' Ministerial Counselling Service (CMCS), an interdenominational body providing free or subsidised counselling to Ministers and their families. As this is an organization with national coverage it is available throughout the UK. The service is highly regarded, and of all the participating denominations, the Methodist Church is the second highest user of its counselling services. Often this service provides an important step on the road to recovery of a Minister experiencing long term ill health, particularly where the issues are emotional in nature. All costs are met by the Methodist Medical Benevolent Fund (MMBF)

In addition to local pastoral conversations, District Chairs will often involve the Connexional Wellbeing Officer in discussions about an individual Minister's ill health and how s/he can be supported. The Wellbeing Officer provides advice and support in the management of difficult ill health issues, and will work with District Chairs on strategies, for example to provide a phased return to work.

As part of this process, and where ill health retirement is not an immediate consideration, professional occupational health advice is often sought from Interhealth, the Methodist Council's occupational health contractor. This involves an individual Minister having an hour long conversation with an Occupational Health Advisor and as a result of this receiving advice about adaptations which may be made to their work or the working environment (for example to accommodate disability or impairment), approaches for a successful return to work, and lifestyle advice such as diet, exercise etc. Feedback from Ministers indicates that these consultations are valued and well received.

From the above it is clear that steps (both pastoral and practical) are taken to support a Minister with health difficulties in continuing in their work and fulfilling their calling. Particular consideration is given to our responsibilities under the Disability Discrimination Act and the provisions of the Conference Report on support for Ministers with impairment. Notwithstanding this approach, there are inevitably some circumstances where the health of a Minister is such that they feel they cannot continue in ministry, nor move into lay employment. Such cases are rare, but when other approaches have either failed or are not appropriate, the Minister may make an application to the Medical Committee for early retirement on grounds of ill health. In recent years the numbers involved have been: 8 (2006), 14 (2007) and 18 (2008). At this point it is important to state that it is the Minister's individual decision to do this, and that there is no compulsion on his or her part. In saying this, it is recognised that reaching a decision of this magnitude may be a difficult and painful process, and that the individual needs time to come to terms with what may be the end of their ministry, or its practice in a completely different way.

Once an application is made by a Minister for ill health retirement, a Medical Advisor appointed by the Medical Committee will, with the individual's agreement, seek a medical report from the General Practitioner or specialist who is treating him/her. This report is then considered by the Medical Advisor and if it is clear from the evidence submitted that there is little likelihood of the individual being fit to return to ministry, ill health retirement is then granted. Usually this takes place at the end of the Connexional year, although in some cases and with the President's permission, retirement can take place before this date.

## **Conclusion**

Early retirement on grounds of ill health is very much the option of last resort, but is available to Ministers where other interventions or processes designed to support an individual have either not worked or been inappropriate due to the severity of the medical condition. Considerable work takes place in providing support and guidance to both District Chairs and individual Ministers faced with impairment so in as many cases as possible their ministry may continue and be

affirmed. This is underpinned by access to professional advice such as occupational health support and counselling. That said, in some situations the only option is for an individual to retire early on grounds of ill health due to the nature of their condition. In all situations, the emphasis is on providing appropriate support and guidance to the Minister within a clear and fair framework.

Annex

## Connexional Allowances Committee – Available Funds/Expense Categories

### Section One: Activity Codes – expenditure from the Methodist Church Fund, budgeted within Support Services

Fund	Code	Purpose	Examples of Expenditure	Total Budget 2009-2010
<b>Removal Expenses</b> (Cost centre of MCF)	341410	Reimbursement of removal costs for Presbyters and Deacons moving from and to island Districts, as these are greater than normal removal expenses.	<ol style="list-style-type: none"> <li>1) The Connexional Team pays centrally for the element of removal from the island to port of entry on the UK mainland.</li> <li>2) If a Presbyter or Deacon stays in their station for less than 5 years the Circuit can apply for a contribution towards removal costs as they are required to make a payment for which they had not budgeted.</li> <li>3) Removal expenses for retiring Presbyters and Deacons are <i>not</i> coded here, but are a charge to the FSPD.</li> </ol>	£32,500
<b>Contingency Grants</b> (Cost centre of MCF)	341420	This funds certain costs for Presbyters and Deacons without appointment. (The Grants Account and Stipends Account are sub-accounts of this).	Examples include people who are disciplined or in dispute with the Church. Payments are made to Circuits who become 'out of pocket' as a result of this. Payments may also be made to landlords and the Presbyters and Deacons themselves, for example stipendiary payments. It includes those long-term sick for more than 6 months.	£180,000
<b>Miscellaneous Grants/Island Travel</b>	341430	Presbyters and Deacons who are stationed in the island Districts are allowed	The Fund pays for the travel expenses of family members who are travelling with the Presbyter/Deacon as well.	£24,000

		two trips per annum for private purposes.		
<b>Initial Grants</b>	341440	Presbyters and Deacons going into Ministry after completing their training, to cover start up costs.	<p>1) <b>Grants</b> – these are means tested against agreed criteria. Some applicants will be ineligible due to income they or their spouses have earned.</p> <p>2) <b>Interest free loans</b>, repayable over 5 years – these are for furnishings, cars etc. However, CPD specifies the provision to be made by individual Circuits (see SO 803), so these loans are for items outside this list.</p>	£100,000

**Section Two: Restricted Funds (all funds listed below are restricted other than the Travel Fund, which is Designated)**

<b>Fund</b>	<b>Code</b>	<b>Purpose</b>	<b>Examples of Expenditure</b>	<b>Total Balances 31/8/09</b>
<b>Fund for the Support of Presbyters &amp; Deacons – FSPD (formerly Auxiliary Fund)</b> (See SO 364 page 401, CPD)	651000	This was set up by Conference and is generally considered to be for <i>retired</i> Presbyters and Deacons. However, SO 364 sets out the criteria for the allocation of funds. This includes enabling presbyters and deacons with illness or impairment to continue in active ministry.	Payment of removal expenses on leaving the Manse when retiring. (This is a significant call on the Fund). Payments are also made to Owner Occupiers on retiring, chair lifts, care expenses, medical costs, new boilers etc. Christmas gifts are also made.	£6,945,064
<b>Methodist Medical Benevolent Fund</b>	655000	For serving Presbyters and Deacons and Lay Employees. The criteria for accessing resources are that you are or have been ill.	Counselling costs (CMCS) paid from this fund. Therapy sessions for Presbyters, Deacons and their families.	£1,209,461
<b>Trinity Hall Trust</b>	653000	For serving Presbyters and Deacons. The fund is for the education of their children. There are no criteria beyond this for the allocation of	Music lessons for family members, the cost of uniforms and extra curricular activities, football equipment, and particularly school trips.	£576,011

		funds. Grants are taxable.		
<b>Connexional Travel Fund</b>	675000	For Presbyters and Deacons who are not able to claim their travel allowance because they are on long term sick leave. It is designed to reimburse the 'profit' element of travel expenses that are not received if the individual is ill and therefore not driving on church business.	The fund provides a fixed sum of £280 towards the money a Presbyter or Deacon would have had if they had used their car, if not ill. Payments are taxable.	
<b>Methodist Ministers' Children's Relief Association</b>	654000	For Presbyters and Deacons with disabled children. An annual grant is provided towards costs associated with the disability. There is no definition of what is a 'disability' in the allocation of grants.	The value of each grant was £600 last year and in 2008 18 grants were given.	£52,497
<b>Auxiliary (Special Purposes) Fund</b>	652000	Payments are made for the separated/deserted spouses of Presbyters and Deacons.	The maximum grant is usually ½ the standard stipend.	£459,777

**Definitions:**

A '**Restricted Fund**' is one where the purpose is determined, for example, by the donor, and the Church has no alternative but to spend the money in accordance with their wishes, or some other externally agreed criteria.

A '**Designated Fund**' is one set up by the charity itself (ie the Methodist Church) and which it is at liberty to un-designate if it so wishes.

## **APPENDIX 2:**

**For information only (background details)**

### **WORKING PARTY ON EARLY RETIREMENT OF PRESBYTERS AND DEACONS DUE TO ILL HEALTH**

#### **MEMBERSHIP AND MEETINGS**

The Working Party consisted of the following members: Mr Andrew Gibbs, Second Connexional Treasurer, (Chair); Graham Thompson, The Chair, East Anglia District; Prof Peter Howdle, Chair of the Medical Committee; Mrs Shelagh Morgan, Chief Executive of the Methodist Ministers' Housing Society; Mr Nigel Wrighton, Pensions Manager; Mr Gareth Powell, Officer for Legal and Constitutional Practice; Mr Tony Tidey, Wellbeing Officer, Connexional Team.

The Working Group has met three times and has agreed this draft report. It is now being sent to the General Secretary for further consideration.

#### **1 - TERMS OF REFERENCE**

The General Secretary set out the background and context for the Working Party.

- There are concerns from the Trustees of the Pension Fund and the Methodist Ministers' Housing Society about the costs of ill health retirement and the implications for the housing stock – how should these be addressed?
- There is a need to scope out what currently happens with respect to our ill health retirement processes and ask whether these are fit for purpose or if changes should be made in light of the above issues.

He considered that work was required on the following questions:

- a) Are the current arrangements for Ministers retiring early due to ill health robust enough?
- b) Is there an increased tendency for Ministers to retire early due to ill health, and if so, what are the reasons that lead to ill health retirement?
- c) Have the reasons for Ministers retiring on grounds of ill health changed?  
Anecdotally, there seem to be fewer incidences of retirement due to physical illness and more which are stress-related. This has implications for their future ministry and the costs to the pension scheme.
- d) An increasing number of Ministers appear to be seeking guidance outside of the church when they find themselves in a potential ill health retirement situation (for example by consulting a trades union representative). In these situations a Minister's dealings with the church are affected – what are the implications of this?

The conclusions that have been reached about points a) to d) and the related bullet points are set out at the end of this report, along with recommendations for future action.

In this report the word Minister has been used and covers both Presbyters and Deacons.

## **2 - RELEVANT EMPLOYMENT LAW, BEST PRACTICE AND ITS APPLICATION TO THE METHODIST CHURCH**

### **Introductory comments**

The 2008 report to the Methodist Conference 'The Covenant Relationship for those who are ordained and in full connexion' helpfully summarises the nature of the covenant relationship between a Minister and the Methodist Church. Section 28 states:

*'In terms of Methodist tradition and theological understanding, its ministers (presbyters and deacons) are in a covenant relationship with the Conference... In terms of the law of the land, they are 'office holders' rather than 'employees'. A covenant may involve some quasi-contractual elements, but its essence would be destroyed if it is reduced to them or they are made primary. A covenant relationship is more broad ranging than an employment relationship, and includes those who are not provided with remuneration or housing, those serving in appointments not within the direct control of the Methodist Church, and those who are supernumeraries or otherwise without appointment. All exercise ordained ministry in and on behalf of the Conference. To reduce consideration to those who are provided with remuneration and housing and are, for the most part, full-time, or to make them the norm from which all others are seen to deviate, would be to skew the understanding of what it is to be a Methodist presbyter or deacon and to pervert the essence of what it is to be the Methodist Church. Similarly, to concentrate only on the duty and accountability of those who are ordained and in full connexion to the Church and of the Church to them would be to dismiss the primary accountability that they and the Church have to God, not least for mediating the things of God to each other'.*

Furthermore, the 2008 report considers the covenant relationship when a Minister becomes supernumerary. Section 23 states:

*'Presbyters and deacons can also be given permission to alter their terms and conditions of service and become "Supernumeraries". This means that they are not counted in the numbers of those appointed to serve in circuit, district or connexional appointments, chaplaincies, appointments not directly within the control of the Church, or mission partnerships; or of those given permission to serve another Conference or Church, or to study or to be without appointment (normally at their own expense). In other words, they are counted 'in addition' to those numbers. In a sense they 'retire' from the active work, and in not making themselves available for stationing are not provided with a stipend or a manse (although, if certain conditions are met, they may be eligible to receive the benefits of a pension and 'retirement' housing). This does not, however, mean that they 'retire' from being a presbyter or deacon. They continue to remain in full connexion. Although not counted in the number of those engaged in the active work, they are still accounted for by the Conference and supported as they continue to fulfil their vocation, and are still accountable to the Conference as they continue to exercise their presbyteral or diaconal ministry within the collegial work and responsibilities of all presbyters and deacons. They are still within the covenant relationship with the Conference, and are still therefore stationed'.*

## **Key employment law provisions**

Although it is clear from the above statements that Ministers are 'office holders' rather than employees, it is also useful to consider matters of ill health retirement within the context of the provisions of employment law, which in many ways provides a useful benchmark for best practice in the area of managing ill health.

Under the Employment Rights Act 1996 there are seven reasons for a dismissal of an employee which potentially would be deemed fair by an Employment Tribunal. One of these is dismissal for a reason relating to the capability of the employee for performing work of the kind he or she was employed to do. 'Capability' is assessed by reference to skill, aptitude, health or any other physical or mental quality. It is important to realise that ill health retirement is defined as a dismissal in law, and is separate from the statutory provisions relating to normal or age related retirement, which have different arrangements.

## **Health and Safety Legislation**

Employers have a common law and implied contractual duty to take reasonable care for the health, safety and welfare at work of all employees. As case law has demonstrated, the employer's duty of care extends to providing appropriate instruction, training and close supervision. This is further re-enforced by the Health and Safety at Work Act 1974 which places a general duty of care on employers. This duty of care extends beyond employees and encompasses visitors to premises and others affected by the activities of the undertaking.

Under the Management of Health and Safety at Work Regulations 1999 employers are required to carry out regular risk assessments to identify and minimise hazards. The definition of 'hazard' is now drawn widely, encompassing both physical risks and those associated with mental health, such as work demands and stress. In response to this the Health and Safety Executive (HSE) launched its Management Standards for Work Related Stress in 2004. This provides a methodology for assessing the risks posed by work related stress and putting in place measures to reduce them.

## **The Occupational Health Perspective**

The Chartered Institute of Personnel and Development (CIPD) encourages employers to consider offering wide ranging occupational health services to staff as a way of promoting both staff wellbeing and reducing absence. Common features of an occupational health contract often include the following:

- monitoring the health of employees, including pre-employment screening of potential employees
- helping to identify health problems and fitness for work issues for individuals at an early stage
- formulating rehabilitation programmes/return to work strategies, particularly where an employee has been absent for a long period of time
- working closely with line managers and HR professionals both on individual casework and more general health at work issues

- promoting employee wellbeing and healthy living.

These services are usually run by a combination of Occupational Health Physicians and Advisors.

### **The church in the position of an employer**

Although Ministers are not employees, the Methodist Church seeks to reflect, in an appropriate way, employment best practice in its treatment of office holders. The covenantal relationship between office holders and the church has been considered above, but it is useful to note here that this relationship is more comprehensive than the employment contract, extending from ordination to the death of the office holder. In addition, health and safety legislation places responsibilities on employers not just to their employees but to those who may be affected by the employer's acts or omissions. Clearly, office holders are included within this scope, and effectively the church has a duty of care which is largely identical to that owed to employees.

### **3- RELEVANT STANDING ORDERS: APPLYING THE COVENANT RELATIONSHIP IN PRACTICE**

The Working Party noted the following aspects of the covenant relationship existing between Ministers and the church:

- Standing Orders 700 and 701 set out the nature of presbyteral and diaconal ministry. The Working Party noted the following features of the ministry:
  - That ordination is for life
  - That the Conference enters into a covenant relationship with Ministers, whereby they are held accountable by the church in respect of their ministry and Christian discipleship, and are accounted for by the church in respect of their deployment and the support they require for their ministry
  - Ministers who are not in the active work remain accountable to and accounted for by the church, and continue to exercise their ministry as they are able according to their circumstances.

(A fuller description of the covenant relationship is to be found in Sections 14-18 of the 2008 report to Conference referred to in Section Two above.)

Standing Order 790 concerns the application process to become supernumerary. In particular, SO 790 (2) states:

*'Any minister or deacon seeking to become supernumerary on the grounds of ill health shall after giving notice to his or her Chair (and in the case of a deacon, the Warden of the Diaconal Order) apply to the relevant member of the Connexional Team who shall refer the application to the Chair of the Medical Committee of the Methodist Council, who shall arrange for a medical report.'*

Other provisions are set out for Ministers to become supernumerary on compassionate grounds (SO 790 (3)), exemption from the Stationing Process on becoming

Supernumerary (SO 791), Continuing Ministry whilst a supernumerary (SO 792), and provisions for a return to the Active Work (SO 793).

A key feature of all these standing orders is that they rely on the Minister him/herself taking the initiative to seek to become supernumerary due to ill health. The Working Party did not find them helpful in a situation where a Minister had become ill but was refusing to either acknowledge this or refused to make an application to become supernumerary despite this ill health. Furthermore, the Working Party was made aware of a number of situations where this had been the case, and the church had no way of effectively moving individual situations forward if the Minister refused to engage in the process. This led to frustration on the part of individual circuits, and frequently additional financial expense which otherwise might not have been necessary.

The Working Party noted that Ministers subject to ill health or with impairment would be treated in accordance with the relevant Standing Orders. It further noted that where these were imprecise it is not always possible to deal with cases in as robust a way as the individual circumstances required, and which recognises the particular roles and responsibilities of both the Minister and the church.

The Working Party considered that the covenant relationship had an important bearing on how matters of ill health were dealt with by the church, in a context that was different from that of employer/employee but which at least covered the same ground as the legal provisions governing employment relationships. The Working Party considered that it was desirable, as far as appropriate, to follow best practice as established by employment legislation and the associated professional guidance.

#### **4 - THE PRIORITIES OF THE METHODIST CHURCH – RELEVANT POLICY OBJECTIVES**

The Working Party noted the following policies which have been adopted or developed in recent years and which provide further background for current practice.

##### **Ministers with impairment**

The Conference in 2007 approved a Guide to Good Practice for Presbyters and Deacons Affected by Impairment. This affirmed the place of office holders with impairment from candidature to retirement as being called by God and accepted into covenant. The Guide went on to make policy statements about a range of issues including training in impairment for a wide range of people, the role of the Medical Committee, regional networks and guidance. The Guide ends with recommendations about early retirement on ill health grounds including support mechanisms that should be available to assist with the transition to retirement.

##### **Work/Life Balance Issues**

In 1977 the Conference adopted guidelines on holiday entitlements and working breaks for office holders. Although this does not have a direct bearing on ill health retirement, it is important when considering such issues as work/life balance, which can have a significant impact on an individual's health when not properly managed, thus having

the potential to lead to chronic health conditions and ill health retirement in later years. There are other sections of CPD which, though not relating directly to ill health retirement, do affect Minister's wellbeing and health, for example the 'Charter for Incoming Ministers and Deacons' which sets out the standards of cleanliness that can be expected when an office holder takes up a new appointment with a Manse, and recommendations about alcohol consumption.

The 2008 report to Conference on the Covenant Relationship considered above referred at paragraph 34 to a 48 hour working week, and CPD contains detailed provisions for the taking of sabbatical leave, which gives the opportunity for reflection and refreshment for the next phase of ministry.

### **Connexional Team priorities**

The Connexional Team appointed a Wellbeing Officer in December 2008 whose duties, amongst other matters, are to work with individual Ministers who are facing impairment and the possibility of ill health retirement. It is expected that the Wellbeing Officer will help to promote a culture of awareness about good health and well-being throughout the church so that some of the issues raised in this report may be ameliorated or foreseen in the future.

## **5 - DESCRIPTION OF PRESENT PRACTICE**

### **The Medical Committee and confidential personnel & health records**

When the Minister's health gives cause for concern and/or there is a prolonged period of absence due to ill health, consideration can be given to seeking to become Supernumerary on the grounds of ill health as provided by SO 790. The Minister would normally discuss this possibility with the Superintendent Minister and District Chair. Applications are made to the Medical Committee via the Well-being Officer in the Connexional Team. The Medical Committee makes a recommendation to the Conference that the Minister concerned should be permitted to become a Supernumerary on medical grounds at the end of the Connexional year. If the Medical Committee considers that the Minister should be permitted to become Supernumerary as a matter of urgency before the next Conference, the Committee makes an appropriate recommendation to the President. In these circumstances, the date of early retirement is normally coincidental with the end of the quarter in respect of which the last quarterly payment of stipend has already been paid.

### **Pension provision**

If the Minister is a member of Methodist Ministers' Pension Scheme (MMPS), the Medical Committee will also send a brief report to the Trustee Board of MMPS to enable the Board to give consideration to the grant of an ill health pension. The Trustee of MMPS can grant an ill health pension under the Scheme Rules and HM Revenue & Customs requirements provided that the member is permanently incapable of carrying out their ministerial duties. The member's own doctor will have been asked by the Scheme's Medical Advisor (a member of the Medical Committee) to provide

medical evidence and confirmation that the member's condition is expected to be permanent.

The ill health pension is based on the final stipend at retirement and accrued pensionable service plus full prospective service up to the normal pension age of 65. It is therefore a generous benefit. It can be compared with the pension of a member who retires early in normal health, which is based on final stipend at retirement and accrued pensionable service with an actuarial reduction for early payment (unless the member has attained age 64 or completed 40 years' service).

### **Housing provision**

When notification is received that permission has been granted to retire on health or compassionate grounds, the Methodist Ministers' Housing Society (MMHS) contacts the individual to enquire whether assistance will be required.

If an application is subsequently made the following criteria must be fulfilled:

- **Length of service in the active ministry** - There are comprehensive eligibility rules applied by the MMHS. The number of years is calculated using the date when the minister/deacon would have normally retired, ie at the age of 65.
- **Financial** – the amount of capital savings held. This figure is reviewed annually, and a detailed scheme is in place.

On receipt of the application a meeting is held between the applicant and spouse/partner and the Chief Executive. The purpose of the meeting is to confirm eligibility and to discuss any particular requirements.

Subject to the applicant meeting the criteria, the applicant will either move into an existing Society property or one purchased on the open market.

## **6 - RELEVANT STATISTICS ON ILL HEALTH RETIREMENT**

### **Ministers, active and retired.**

There were in the region of 2025 active Ministers at 31 August 2008. Not all active Ministers are members of the Pension Scheme. There were 1,760 active and 1,772 retired members of the Methodist Ministers' Pension Scheme at 31 August 2008. In addition, there were 769 spouses/dependants in receipt of pensions at that date.

The total number of new pensioners in each of the last three years was: 84 (2006), 89 (2007) and 103 (2008).

## Early and ill health retirements

The total number of early retirements (before the normal pension age of 65) of members of the Methodist Ministers' Pension Scheme in each of the last three years were as follows: 36 (2006), 49 (2007) and 43 (2008). These figures include early retirements due to ill health of 8 (2006), 14 (2007) and 18 (2008).

Ill health retirements over the three years were 31% of early retirements and 14% of all new pensioners.

### **Table 1: Ill health retirements in the Methodist Ministers Pension Scheme compared with the pension funds of other denominations, 2006 – 2008**

Statistics on the incidence of ill health retirements were obtained from three other Church denominations for comparison with MMPS.

<b>Denomination</b>	<b>As a % of total retirements</b>	<b>As a % of active members</b>
Methodist Church	14.5	2.3
A	14.5	2.1
B	n/a	2.3
C	n/a	1.0

(Source MMPs)

The percentages for the Methodist Church and Denominations A and B are very similar. Denomination C's pension fund appears to have a younger membership, with pensioners being less than half the number of active members compared to about equal numbers of pensioners and active members for the other Churches. It is not surprising, therefore, that the proportion of early retirements on grounds of ill health is much lower for Denomination C.

### **Some of the reasons for Ill health retirements: depression, anxiety and stress**

Within the Methodist Church the total number of ill health retirements where depression and/or anxiety were significant considerations in the period from 2000 to 2009 are shown in Table2.

**Table 2: Ill health retirements where depression and/or anxiety were significant considerations**

<b>Year to 31 August</b>	<b>Total Ill health retirements</b>	<b>Significant depression/anxiety</b>	<b>% of total</b>
2000	13	6	46
2001	18	8	44
2002	17	7	41
2003	14	6	43
2004	14	4	28
2005	16	5	31
2006	8	3	37
2007	14	5	36
2008	18	8	44
2009	12	7	58
<b>Totals</b>	<b>142</b>	<b>63</b>	<b>41</b>

(Source Peter Howdle, Chair of the Medical Committee)

There is no discernable trend or pattern in the annual figures for ill health retirements over the ten years to August 2009. Similarly, the number and proportion of retirements attributed to depression/anxiety year by year show no particular trend, although the proportion in 2009 was unusually high. The numbers are relatively small and the variation quite wide, so it would be unwise to draw any statistically significant conclusion on the trend in the incidence of ill health retirement or the causes for it on the evidence of the past ten years.

For comparison purposes, Table 3 sets out details about ill health retirements on grounds of stress/anxiety/depression in the Methodist Church with another church, 'Denomination A'.

**Table 3: Ill Health Retirements on Grounds of Stress/Depression – Comparison of the Methodist Church with 'Denomination A' for 2006-08**

<b>Year (Methodist Church)</b>	<b>Total Ill Health Retirements</b>	<b>Retirements on Grounds of Stress/depression</b>	<b>% of Total ill-health Retirements</b>	<b>Denomination A</b>
2006	8	3	37%	25%
2007	14	5	36%	33%
2008	18	8	44%	35%

(Source: MMPS)

There is some indication of a somewhat higher rate of retirement on grounds of stress/depression in the Methodist Church than in Denomination A. The figures are small and it would again be inappropriate to draw too firm a conclusion. It is, however, the case that in recent years among the employed population as a whole there has been an increase in ill health because of factors such as stress or depression and it is likely that something similar may be happening in the churches.

The total number of ill health retirements for whom housing provision was made by the Methodist Ministers' Housing Society in each of the last 5 years to 31 August 2008 is set out in Table 4 below:

**Table 4: Number of retiring ministers housed by the Methodist Ministers' Housing Society over the last 5 years because of ill health**

<b>Year to 31 August</b>	<b>No. housed</b>
2005	7
2006	5
2007	7
2008	12
2009	4

(Source: MMHS)

The Society's budget each year allows for a number of medical retirees. The above table shows that it is impossible to estimate how many will require assistance with some years requiring additional funding and others where the full budget is not required.

## **7- ILL HEALTH RETIREMENT: A COMPARISON OF PRACTICE WITH OTHER CHURCHES**

The Methodist pension scheme and those of Denominations A and B provide an ill health pension benefit which is based on final stipend at retirement and accrued pensionable service plus full prospective service up to normal pension age of 65. Denomination C has recently agreed a two-tier approach to ill health retirement, distinguishing between those who can never work again and those who should be able to resume ministerial work at some point in the future. The pension for the former category is on the same basis as that provided by the other denominations' pension schemes but the benefit for the latter category is based upon the members' actual pensionable service which may be enhanced at the discretion of the Trustee of Denomination C's scheme.

The Trustee of MMPS has recently reviewed the ill health pension benefit with a view to reducing the cost, which is significant (see section 9 below). It considered a two-tier approach (whereby the level of ill health retirement benefits relates directly to the severity of the individual's medical condition and prospects of resuming some form of work at a later date) but was reluctant to adopt it because it would involve the Trustee in taking decisions about the severity of Ministers' medical conditions. Instead it is considering reducing the enhancement from prospective service to a member's normal pension age to 50% of prospective service. The Methodist Council has, in principle, agreed that the Trustee should make a reduction in the ill health pension benefit. This will form part of the general review of the benefits of MMPS taking place during the Connexional year 2009/10 with a report to the 2010 Conference.

The other denominations with whom comparisons have been made are faced with the common problem of the rising costs of providing final-salary pensions. Denominations A and C are, like the Trustee of MMPS, particularly concerned about the cost of their ill-health pension benefits and are currently reviewing them. They have agreed to share the results of their reviews with us, when known.

## **8 - EARLY RETIREMENTS DUE TO ILL HEALTH, SOME ILLUSTRATIVE EXAMPLES FROM A RECENT YEAR**

It is not appropriate in a report of this nature to refer to any individuals who might be identifiable. The Working Party felt, however, that it would be helpful in this report to remember that the statistics reflect the very difficult circumstances experienced by some of our ministers. In one recent year, 8 Ministers retired on grounds of ill health.

- there were 5 male and 3 female
- age range was 58-62.

Of the 3 whose diagnoses included psychiatric illnesses, 2 had recurrent depression and anxiety which was work-load related. In one, this had been recurrent for 20 years; in the other for 1-2 years. The third had recurrent depression but also a number of other, non-psychiatric diagnoses.

Of the 5 who had non-psychiatric diagnoses, 2 had had diabetes for many years with extensive complications, one had cerebrovascular disease with a previous stroke, one had osteo-arthritis with very limited mobility, and one had metastatic carcinoma.

This range of diagnoses probably reflects the range of illness at this age in the non-ordained population at large.

## **9 - THE COSTS OF ILL HEALTH**

### **Pre-retirement:**

#### **The Circuit and the Connexion**

Ministers and Deacons who are unable by reason of illness or injury to discharge their responsibilities continue to receive stipend per SO 801(4).

When a Minister first becomes ill, the costs of the illness are borne by the Circuit (less Statutory Sick Pay) for the first six months of illness. These costs include full stipend plus on costs as well as the insurance, Council Tax, water charges and telephony costs relevant to the manse.

A minister can also claim from the Circuit a £280 travel allowance each quarter, once the period of sickness extends beyond three months.

If the illness extends beyond six months, the stipends costs are then transferred to the Methodist Church Fund whilst the manse costs continue to be borne by the Circuit.

Once a successful application has been made to retire early on the grounds of ill health, the costs transfer from the Circuit and Methodist Church Fund on the agreed date on which the minister retires.

The current cost of stipend for a minister for a six month period (stipend plus pension plus National Insurance) amounts to £12,955. Allowing a little for extras, the cost to Circuits of the 142 ill health early retirements over the last ten years, at current cost, would be about £2million, or £200,000 p.a. This cost is largely unavoidable.

## **Post retirement:**

### **The Methodist Ministers' Pension Scheme**

A member of MMPS who is retiring early on the grounds of ill health will receive the same pension (in current terms) that they would have expected to receive at the normal pension age of 65 had they continued in service and paid contributions to MMPS. The costs of the enhancement for prospective service is ultimately borne by the church within the future service contribution rate. The Actuaries pre-fund for ill health retirements within the future contribution rate. The element relating to ill health benefits within the future service contribution rate recently agreed by the Trustee and Conference from 31 August 2008 was calculated as 3.7% of stipends, included in the overall future service contribution rate of 24% of stipends (15% to be paid by Circuits and 9% by members). 3.7% of stipends in the year ending 31/8/10 amounts to £1.24 million.

The Actuaries to MMPS were asked to calculate the capital costs to the Fund of ill health retirements in the three years to 31 August 2008. For the purpose of these calculations the Actuaries used the same actuarial basis as adopted by the Trustee of MMPS for the latest triennial valuation at 31 August 2008. The capital cost of ill health retirements during the 3 year inter-valuation period was around £2.5m. The individual cost of ill health retirements varies considerably; the enhancement of prospective future service is greater for younger Ministers and therefore the cost is higher.

A reduction of half in the allowance for future service in the case of ill health retirement, would reduce the 3.7% to 2.9%, equivalent to a reduction in contributions of about £268,000 p.a.

### **The Methodist Ministers' Housing Society**

Previous to retirement, arrangements may also have been made for housing provision with the Methodist Ministers' Housing Society. Such provision is made by the Society earlier than anticipated and the additional costs are borne by the Society and its supporters - mainly Methodist members, churches and Circuits.

A table of the costs associated with re-housing ministers due to ill health retirement is shown at Table 5.

**Table Five: Ill Health Retirement Cases Housed by the MMHS 2004/09**

<b>No. of cases</b>	<b>Year to 31 August</b>	<b>Property Type</b>	<b>Total, £'000</b>	<b>Tenants equity £'000</b>
3	08/09	new	507	73
1	08/09	existing	50	0
11	07/08	new	1,950	149
1	07/08	existing	50	20
6	06/07	new	1,007	137
1	06/07	existing	50	0
5	05/06	new	904	115
0	05/06	existing	0	0
7	04/05	new	1,335	201
0	04/05	existing	0	0
<b>35</b>			<b>5,703</b>	<b>695</b>

(Source: MMHS)

**Net cost: (total of costs incurred minus tenants' equity) £5,008,000**

### **Notes**

The cost of refurbishment has been shown as an average of £50,000 rather than the actual amount spent on the specific property.

The Society meets the cost of providing homes from the monies received from the sale of existing properties no longer required and donations made by individuals, Methodist churches and grants made by Methodist organisations (the Auxiliary Fund and Methodist Insurance).

The costs shown above do not include the on-going expenses relating to the maintenance of the properties. Routine repair costs are met from the rent paid by tenants (from 1 December 2009 this will be £360 per quarter). All planned maintenance costs (external decorating, boiler replacement, refurbishment of kitchens and bathrooms, re-surfacing of driveways, electrical upgrades) are met from donations.

The capital cost of housing Ministers retiring on grounds of ill health in the last five years is about £5 million or £1 million p.a. This capital cost is, in effect, the bringing forward of a future liability that would normally have arisen, say on average, 10 years in the future.

## **10 - CONCLUSIONS AND RECOMMENDATIONS**

The Working Party's conclusions and recommendations are set out below and are aligned to the Terms of Reference shown in Section One.

### ***a) Are the current arrangements for Ministers retiring early due to ill health robust enough?***

**The Working Party's findings:** Generally the process of seeking early retirement due to ill health takes place without too much delay once an application has been made to the Medical Committee.

In considering the process for certifying that a Minister was unfit for service, the Working Party noted that the Medical Committee did not have access to independent medical advice from an employer's perspective, such as that provided by an Occupational Health Physician, but was reliant on that provided by a General Practitioner or Medical Specialist, who might not be aware of the particular demands of the ministerial role, and how this impacted on the individual's medical condition. The Medical Practitioner may also feel that they owe a loyalty to their patient, which might impact upon the process of impartiality.

It was noted that in cases where the Minister was actively seeking ill health retirement the process worked well. However, the Working Party was aware of some situations where the Minister had been absent from ministry due to ill health for a considerable period of time (sometimes over a year), and for a range of reasons did not wish to seek ill health retirement. It was noted that Standing Orders did not compel a Minister to make an application for ill health retirement to the Medical Committee, and that this led to cases remaining unresolved for a considerable period of time. The alternative in these circumstances was a Circuit generated curtailment, which itself could be a lengthy process.

The Working Party also noted that arrangements for the active management of a Minister's health, and personnel files, which would reasonably include sickness records, were not in place. This led to concern that insufficient information was available to enable the church to exercise its duty of care in a lawful way. The Working Party therefore felt that a strong argument should be made for confidential records on health to be kept as a key tool of pastoral care, and noted that Conference had requested that a report on Personnel Files for Ministers be presented to it in 2010.

Finally, the Working Party noted that the Medical Committee currently had no flexibility to recommend that a Minister retire on a part time basis (for example, half payment of pension, half payment of stipend). That said, Flexible Retirement (as defined in the 2007 Conference Report 'Flexible and Part Time Retirement for Ministers') is to be introduced from 1 September 2010, although it will need to be used cautiously since it is not primarily intended for Ministers suffering from ill health.

### **Recommendations:**

1. That Standing Order 790 be amended to require Ministers to be assessed, at the discretion of the District Chair or the Secretary of Conference, by a Medical

Advisor appointed by the Medical Committee and at the charge of the Connexion, in circumstances of ill health. As a guideline, the Working Party considered that this could be appropriate after an absence on grounds of sickness of three months or more;

2. That a Standing Order be drafted which would permit the Medical Committee to refer ill health retirement applicants to an independent occupational health physician, at the charge of the Connexion, where they consider this appropriate.
3. That a Standing Order be drafted which would require a Minister to abide by the Medical Committee's decision concerning a recommendation relating to ill health retirement, following a referral to the Medical Committee (taking into account an appeals process which would include an independent medical opinion, where appropriate);
4. That a Standing Order be drafted concerning the establishment and maintenance of medical records for Ministers, to link with the existing decision of Conference concerning initial, exploratory work on Personnel Files for Ministers;
5. That a good practice guide be developed in conjunction with the Handbook for Presbyters and Deacons, to assist District Chairs and Superintendents, and the Warden of the Diaconal Order on the management of ill health for Ministers, so that appropriate and early intervention may be offered as part of the overall approach to pastoral care;
6. That notwithstanding the decision of the MMPS Trustees not to introduce a tiered approach to ill health retirement (as discussed in Section 7 above, whereby Ministers would be able to return to stipendiary ministry if their health improved, which would be reflected in the level of retirement benefits they would be entitled to) this matter should be kept under review, since Standing Order 793 sets out the mechanism for a return to active ministry and a similar approach has now been adopted by another denomination;
7. As a result of the Working Party's deliberations, it is also recommended that clarification should be sought on the constitution, role and responsibilities of the Medical Committee, including a review of its Terms of Reference.

***b) Is there an increased tendency for Ministers to retire early due to ill health, and if so, what are the reasons that lead to ill health retirement?***

**The Working Party's findings:** There was no evidence presented to the Working Party that there was an increase in the numbers of Ministers seeking ill health retirement. However, care should be taken in drawing conclusions from these figures because of the small numbers involved. That said, in looking at the reasons given for ill health retirement, there is some evidence of a small increase in those retiring because of depression/stress/anxiety, but this is not considered statistically significant.

## **Recommendations:**

That the position be kept under review, particularly in the light of the increase in mental ill health absence seen across other sectors.

***c) Have the reasons for Ministers retiring on grounds of ill health changed? Anecdotally, there seem to be fewer incidences of retirement due to physical illness and more which are stress related. This has implications for their future ministry and the costs to the pension scheme.***

**The Working Party's findings:** The Working Party considered the evidence submitted of the reasons for ill health retirements between 2000 and 2009, and that supplied in detail for a recent year. Again, the small size of the sample makes it difficult to draw statistically significant conclusions. That said, it noted that the diagnoses reflected those of the population at large in the age group under consideration.

## **Recommendations:**

The Working Party had no recommendations about this matter, other than that the establishment of personal files with medical information (see Recommendation (a)<sup>4</sup> above) might assist with the effective stationing of Ministers in the light of any disabilities or impairments they had. It was noted that although this information was provided at candidating, it was not consistently followed through or transferred in subsequent stationing. This could leave the church exposed to a claim under health and safety legislation.

***(d) An increasing number of Ministers appear to be seeking guidance outside of the church when they find themselves in a potential ill health retirement situation (for example by consulting a trades union representative). In these situations a Minister's dealings with the church are affected – what are the implications of this?***

**The Working Party's findings:** The support of a representative of the Minister's choosing (which in some cases includes a trade union representative) was recognised by the Working Party, particularly in situations of ill health where the Minister could be under pressure or stress.

## **Recommendation:**

That a small group develop a clear, accountable and agreed procedure for the management of ill health matters, allied with the amendments referred to above in Standing Orders. This would facilitate the finding of constructive solutions for both individual Ministers and the church, within a fair and transparent process. Such an approach would also assist the church in discharging its pastoral responsibilities in a sensitive way.

### APPENDIX 3: Memorandum from Trustee Board of MMPS

#### SUBJECT: Methodist Ministers' Pension Scheme (MMPS) – Review of Benefits

- .....
1. The Trustee Board of MMPS at its meeting on 3 December 2009 considered the following proposals made by the group set up to review the Scheme's benefits viz:-
    - (i) to reduce the accrual rate for future service from 1/70<sup>th</sup> to 1/80<sup>th</sup> of final stipend;
    - (ii) to increase the Normal Pension Date for future service from age 65 to age 68;
    - (iii) to reduce the enhancement for ill health pensions from 100% to 50% of a member's prospective service.
  2. The Trustee Board endorsed proposals (i) and (ii) above but gave further consideration to the proposed reduction in the ill health pension benefit. It is recognised that whilst the benefit is generous, particularly for younger members, it is an important benefit for ministers who are unable to continue their active ministry due to incapacity.
  3. Some other Church denominations provide an ill health benefit on the same basis as MMPS but due to the increasing cost of the benefit have either reviewed or are in the course of reviewing it. One of these is the Church of England which is proposing that its ill health pension benefit be based on a member's accrued service without reduction for early payment plus a graduated enhancement based on a proportion of the member's prospective service. The Actuaries of MMPS were asked to consider a graduated enhancement and the following formula is proposed:-

Service enhancement is  $\frac{A}{T} \times P$ , where

A = accrued service to date of retirement

T = total prospective service from date of joining MMPS to Normal Pension Date

P = prospective service from date of ill health retirement to Normal Pension Date.
  4. A comparison of the service enhancement to ill health pensions on three different bases is shown in Appendix 1. It can be seen that the graduated enhancement greatest for members who have completed 15 years' or more of pensionable service and are within five years of NPD, but provides the lowest enhancement for members retiring more than 15 years before NPD.

5. The following is an example of the calculation of the ill health pension currently payable to a member of MMPS aged 60 with 30 years' accrued service:-

$$£19,836 \times 35/70\text{ths} = £9,920.00 \text{ per annum}$$

If the proposed changes to the MMPS benefits viz, reduction in the accrual rate, increase in Normal Pension Date to age 68 and a graduated enhancement for ill health pensions, are implemented, the same member of MMPS would be entitled to the following ill health pension:-

$$(£19,836 \times 30/70\text{ths}) + (£19,836 \times 6.3/80\text{ths}) = £10,060 \text{ per annum}$$

6. A comparison of ill health pensions on the current and proposed benefits bases is shown in Appendix 2.
7. Ministers retiring on ill health grounds may also qualify for payment of State incapacity benefit before their State Pension Age. The long-term rate of State incapacity benefit is currently £89.80 per week (£4,670 per annum) but if the MMPS pension is more than £85 per week (£4,420 per annum) the amount of the State incapacity benefit will be reduced by half of the excess.
8. The Actuaries have calculated that the cost saving of a graduated enhancement for ill health pensions is 1% of stipend compared with a saving of 0.8% of stipend if the existing enhancement is reduced from 100% to 50% of prospective service.
9. Recommendation

The Trustee Board of MMPS recommends adoption of the graduated enhancement for ill health pensions because it is more equitable between members and reduces the significant cost of these pensions for younger ministers with relatively short service.

**Table 1****Number of years of service to be used in the calculation of ill health pensions**

Age at ill health retirement	Accrued Service	Total potential service from date of joining to NPD (age 68)	Potential service from date of retirement to NPD (age 68)	Total service used in calculation of benefit if enhancement is		
				Current – 100% of potential service (to age 65)	50% of potential service (to age 68)	Graduated scale (to age 68)
30	5	43	38	40	24	9.4
40	5	33	28	30	19	9.2
	10	38	28	35	24	17.4
	15	43	28	40	29	24.8
50	5	23	18	20	14	8.9
	10	28	18	25	19	16.4
	15	33	18	30	24	23.2
	20	38	18	35	29	29.5
60	5	13	8	10	9	8.1
	10	18	8	15	14	14.4
	15	23	8	20	19	20.2
	20	28	8	25	24	25.7
	25	33	8	30	29	31.1
	30	38	8	35	34	36.3

**Table 2****Comparison of ill health pensions on the current and proposed benefit bases**

Accrued Service	Age 40		Age 50		Age 60	
	Current £	Proposed £	Current £	Proposed £	Current £	Proposed £
5	8500	2460	5670	2380	2830	2190
10	9920	4670	7080	4420	4250	3920
15	11340	6680	8500	6280	5670	5540
20	-	-	9920	8000	7080	7080
25	-	-	-	-	8500	8600
30	-	-	-	-	9920	10060