Report & Financial Statements

For the year ended 31 August 2021

Methodist Ministers' Pension Scheme

Pension Scheme Registry No: 10029514

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TRUSTEE'S REPORT
FOR THE YEAR ENDED 31 AUGUST 2021

THE TRUSTEE AND DIRECTORS

The Trustee submits the report and audited financial statements of the Methodist Ministers' Pension Scheme ("the Scheme") for the year ended 31 August 2021.

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 and 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 currently 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, namely Ms Ingrid Kirby represents the Independent Trustee, 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 who serve for three years, all of whom retire at the end of their term but may stand for re-election. Revd Andrew Walker, Mr Fred King and Ms Anne Fairchild were appointed to serve for a three year period commencing 1 September 2021.

TRUSTEE'S REPORT (continued)

TRUSTEE DIRECTORS AND ADVISERS TO THE SCHEME

Trustee Directors

Church Directors
Mr Ronald Calver (retired 31/08/2021)
Mr Graham Danbury*
Ms Anne M Fairchild* (appointed 01/09/2021)
Mr Andrew Gibbs (retired 31/08/2021)
Ms Ingrid Kirby (Chair)* - Representative of Capital Cranfield Pension Trustees Limited
Mr Fred King (appointed 01/09/2021)
Mr Andrew Paul
Mr John Wyatt*

Member Nominated Directors
Mrs Ruth Edmundson (retired 31/08/2021)
Revd Dr John Illsley*
Revd Sydney Samuel Lake
Revd Eleanor Smith
Revd Andrew Walker (appointed 01/09/2021)

** Member of the Joint Investment Committee*

Secretary to the Trustee / Pensions Manager	Mrs Meena Tooray
Actuary	Mrs Diana Simon FIA
Actuarial Consultant	BWCI Consulting Limited
Auditor	Assure UK (appointed 25/08/2021) BDO LLP (resigned 24/08/2021)
Bankers	HSBC Bank plc Royal Bank of Scotland plc
Investment Consultant	Lane Clark & Peacock LLP
Investment Managers	Epworth Investment Management Limited Threadneedle Investments (CI) Limited Schroder Real Estate Managers (Jersey) Limited BMO Global Asset Management Partners Group (Luxembourg) S.A.
Legal Advisers	Burges Salmon LLP Pothecary 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 Marylebone Road, London, NW1 5JR.

CONTACT FOR ENQUIRIES

Scheme 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 Marylebone Road, London, NW1 5JR, 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, has set up a Joint Investment Committee to fully consider the investment issues which affect both Schemes and who report back 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 £9,532,775 (2020: £9,017,097) and a net gain on investments, including revaluation, of £96,382,257 (2020: net loss of £19,519,847), the Scheme now has a value of £574,301,896 (2020: £487,452,414).

MEMBERSHIP AND BENEFITS

Membership

As at 31 August 2021 there were 4,155 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	Spouses' Pensions	Children's Pensions	Pensioner Members
As at 31/08/2020	**1,267**	**301**	**701**	**9**	**1,930**
New Entrants*	11	1	-	-	7
Retirements*	(4)	-	-	-	-
Active to Deferred*	(1)	-	-	-	-
Restated at 31/08/2020	**1,273**	**302**	**701**	**9**	**1,937**
New Entrants	22		42	2	-
Active to Deferred	(8)	8	-	-	-
Refunds	(1)	-	-	-	-
Retirements	(68)	(16)	-	-	84
Deaths	(3)	-	(50)	-	(75)
No Liability	-	(3)	-	-	-
Transferred Out	-	(1)	-	-	-
As at 31/08/2021	**1,215**	**290**	**693**	**11**	**1,946**

** 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 2021 were as follows:

Pensions in relation to service	Increase awarded
Prior to 1 September 2006	0.7% (2020: 1.8%)
From 1 September 2006	0.7% (2020: 1.8%)

Increases to pensions paid in respect of money purchase Additional Voluntary Contributions (AVCs) depend on the conversion terms dependant 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 2021 were as follows:

AVC pensions in payment	Increase awarded
Prior to 1 September 2006	1.4% (2020: 2.7%)
From 1 September 2006 and before 1 September 2018	1.4% (2020: 2.5%)
From 1 September 2018	0.7% (2020: 1.8%)

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 2021.

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 and COVID-19

The outbreak of the COVID-19 pandemic continues to cause significant disruption to economic activity which has been reflected in global stock market fluctuations and, in turn, the valuation of pension scheme assets.

The Trustee has continued to manage risks associated with movements in investment market prices by constructing a diverse portfolio of investments across various asset classes and markets. The Trustee monitors the ever evolving situation and has, as part of the ongoing governance of the Scheme reviewed its procedures and policies. The Trustee is comfortable that the systems of the Employer, in respect of processing member benefits in accordance with the Scheme rules and responding to member queries in a timely manner, has continued to operate uninterrupted.

The Trustee has maintained dialogue with the Principal Employer and receives regular updates on business performance and contributions monthly. The Principal Employer's business has not been substantially affected by the pandemic.

The Trustee is not aware of any 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.

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 due at 1 September 2020 and was due to be finalised by 30 November 2021. Due to ongoing discussion between the Trustee and the Methodist Church, the valuation was not finalised by the deadline of 30 November 2021 and a breach report was submitted to the Pensions Regulator on 29 November 2021 in this respect. The breach report stated that although the Trustee and the Methodist Church have agreed the valuation principles, detailed negotiations on the contingent asset package to support it had delayed its completion. It is expected that the valuation will be finalised before 31 March 2022.

The actuarial valuation carried out at 1 September 2017 revealed a surplus of the assets relative to the technical provisions (i.e. accrued liabilities) of £19.7 million. In accordance with statutory requirements, the Trustee received an actuarial report which provided an update of the funding position as at 1 September 2019. The results are summarised in the table below:

Valuation Date	**01/09/2017**	**Actuarial update as at 01/09/2018**	**Actuarial update as at 01/09/2019**
Value of technical provisions (£'000)	449,683	443,180	499,699
Assets available to meet technical provisions (£'000)	469,349	487,352	515,989
Assets as a percentage of technical provisions	104.4%	110.0%	103.3%
Surplus/ (Shortfall) (£'000)	19,666	44,172	16,290

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:

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 2017

Non-pensioner discount rate:	Bank of England gilt curve plus 2.0% pa for 3 years linearly reducing over the following 17 years to 1.0% pa in 20 years' time.
Pensioner 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 future Retail Price Inflation assumption.
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 future Retail Price Inflation allowing for the caps on pension increases agreed at the time the AVC funds were converted to pension.
Mortality:	For the period in retirement, standard SAPS S2 Light tables with scaling factors of: • 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_2016 Core Projections, 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:	2.7% pa of stipends.

REPORT ON ACTUARIAL LIABILITIES (continued)

Future contributions

As the 2017 valuation revealed a surplus, there was no deficit to be eliminated and hence a recovery plan was not required. The Trustee and the Conference agreed that the surplus be retained within the Scheme as a buffer against future adverse experience.

The total cost of providing future service benefits on 1 September 2017 amounted to 31.5% of stipends. Members pay 9.3% of stipends and therefore the required Church future service contribution rate amounted to 22.2% of stipends. However, the Conference, on the recommendation of the Methodist Council, agreed to maintain the current Church contribution rate of 26.9% of stipends (and 9.3% of stipends for members).

These arrangements were formalised in a Schedule of Contributions which the Scheme Actuary certified on 30 July 2018. A copy of this certificate is included on page 39 of this annual report. As the Scheme was in surplus, the Pensions Regulator did not require a Recovery Plan submission to be made.

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 2021.

Further details

The Trustee of the Scheme will produce a Summary Funding Statement based on the 2020 valuation results. The contributions payable to the Scheme will be reviewed at the 1 September 2020 formal valuation of the Scheme. Copies of the Scheme Actuary's 2017 valuation report and the latest Summary Funding Statement are available on request from the contact for enquiries on page 40.

INVESTMENT MANAGEMENT

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 consultants, decides on the overall allocation of assets between the various asset classes, and selects the appropriate managers within each asset class.

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 2020, January 2021 and September 2021. 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 most recent Statement of Investment Principles is available online at:

SIPs

INVESTMENT MANAGEMENT (continued)

The following table details the strategic asset allocation as set out in the Statement of Investment Principles:

Asset class	Strategic allocation (%)
UK equities	19.0
Overseas equities	19.0
UK Property	10.0
Impact investing	10.0
Growth assets	**58.0**
Corporate bonds	17.0
Liability Driven Investment ("LDI") and Cash	25.0
Matching assets	**42.0**
Total	100.0

Please note for the impact investing allocation the nature of the drawdown process being spread over time, means that the actual exposure to the asset class will increase gradually over time. Likewise, the equity allocation will gradually decrease with each drawdown.

The Trustee has implemented a de-risking framework based on a system of triggers, in order to meet its objectives as detailed in its Statement of Investment Principles. This broadly involves increasing the matching assets and decreasing the growth assets if certain trigger thresholds are met. Therefore, the actual asset allocation may be expected to shift progressively over time.

Material changes to the investments during the year ended 31 August 2021 are set out below:

- In December 2020, the Trustee decided to reduce the Scheme's strategic allocation to UK equities and increase the strategic allocation to Overseas equities – targeting an equal split between the two. The new strategic benchmark was gradually implemented over a series of trade dates, with the final trades taking place in June 2021.

- The Trustee also agreed to de-risk the Scheme's assets in June 2021, following a significant improvement in its funding position. As a result of this the Scheme moved monies out of UK and Overseas equities into LDI, reducing exposures to equity risk, inflation risk and interest rate risk.

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.

INVESTMENT MANAGEMENT (continued)

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.

In addition, the Scheme has a direct investment of £29,200 in a private limited company called Joseph and Jesse Siddons Limited.

Investment arrangements

Over the year under review, the investments of the Methodist Ministers' Pension Scheme (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, Schroder Real Estate Managers (Jersey) Limited ("Schroder"), Columbia Threadneedle Investments ("Columbia Threadneedle").
- Partners Group Holdings AG ("Partners Group") and
- BMO Global Asset Management ("BMO").

The Scheme pays fees to each of the investment managers (other than Partners Group) 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. 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 fund returns.

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.

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

INVESTMENT MANAGEMENT (continued)

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 can 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.

Trustee’s policies on environmental, social and governance (“ESG”) and ethical factors

The Trustee has considered how environmental, social and governance, 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 (ie 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. More detail on the non-financial matters which the Trustee takes account of is included in the Trustee’s Responsible Investment Policy document. This can be found at the following link:

https://www.methodist.org.uk/media/24653/mmps-responsible-investment-policy-draft-may2021v2-final.pdf

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 considers 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, 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 consultant 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. Where appropriate, the managers are 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. The Trustee’s policy is not to fix the duration of any mandate in advance, instead it aims to monitor managers on an ongoing basis based on performance and other key indicators (including but not limited to the views of their advisers).

INVESTMENT MANAGEMENT (continued)

If serious concerns arise termination of the mandate will be considered. Generally, the Trustee would be unlikely to terminate a mandate on short-term performance grounds alone.

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.

Investment performance

The performance of the investment managers is reviewed periodically at the Trustee's meetings. The following table shows the performance of the Scheme and the appointed investment managers over the one and three year periods to 30 September 2021, after the deduction of fees except where indicated.

	1 year to 30/09/21 (%)		3 years to 30/09/21 (% pa)	
Epworth	**Fund**	**Benchmark**	**Fund**	**Benchmark**
CFB UK Equity Fund	28.1	27.9	4.2	3.1
CFB Overseas Fund	24.1	22.5	12.8	12.3
CFB UK Corporate Bond Fund	-2.4	-0.4	3.4	4.4
CFB Deposit Fund (cash)	0.1	-0.1	0.5	0.2
Epworth overall	*19.1*	*18.8*	*6.1*	*5.6*
BMO				
Short Nominal LDI	-32.3	-30.1	6.8	8.0
Short Real LDI	-5.5	-2.5	13.7	15.0
Mayfair Capital				
UK Property	14.9	13.1	4.9	4.0
Threadneedle				
UK Property	13.5	13.1	4.2	4.0
Total Scheme	**15.5**	**14.2**	**6.2**	**6.4**

Source: Investment managers. LCP calculations.

INVESTMENT MANAGEMENT (continued)

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 Partners Group Impact Investing Fund due to the relative immaturity of this closed-ended Fund;
- Benchmark shown for corporate bonds is iBoxx £ Non Gilts Index; and
- We have not provided performance information for BMO's Nominal Dynamic LDI Fund as the Scheme has been invested for less than a year.

Performance commentary and economic background

Economic overview

In response to the COVID-19 crisis, which was declared a pandemic in March 2020, major central banks, including the US Federal Reserve, the Bank of England and the European Central Bank, maintained or further relaxed an extremely accommodative monetary stance in an attempt to cushion the effects of the lockdowns imposed to curb the spread of the virus. Governments have also released unprecedented spending packages; the US government alone has spent more than $5tn in fiscal stimulus since the early days of the pandemic.

Throughout the 12-month period to the end of September 2021, the Bank of England maintained the loose monetary policy introduced in early 2020, and even expanded its Quantitative Easing programme with the commitment to purchase an additional £150bn of government bonds. Over the same period, Chancellor Rishi Sunak announced a number of fiscal initiatives to mitigate the pandemic's effects, including several extensions to the country's job support schemes, as well as an extra £65bn of public funding in 2021, aimed at keeping businesses afloat and jobs open.

The coronavirus outbreak pushed EU-UK trade discussions off centre stage until late 2020. Negotiations reached apparent breaking point on several occasions; nonetheless, Britain and the EU still managed to secure a post-Brexit agreement on 24 December 2020 – just one week before the Brexit transition deadline. Although the deal does not come close to replicating Britain's existing accord with the EU, it avoided a "No-deal Brexit" and set out the future UK-EU relationship on a range of areas – from trade and investment to transport and energy.

The development in late 2020 of several effective vaccines against the virus lifted hopes that the worst of the pandemic might be over soon. The first three quarters of 2021 saw significant progress in vaccination efforts, particularly in developed economies. Nonetheless, with reopening underway, inflation has now overshot central bank targets in several major economies; a phenomenon which could jeopardise the still nascent recovery, particularly if central banks decide they need to respond.

Developed market equities

Following the pandemic-induced slump in global markets in early 2020 and subsequent lockdowns in major economies, equities rebounded strongly over the 12-month period to 30 September 2021 on the back of the unprecedented government and central bank policy support and positive news regarding vaccines and inoculation efforts.

INVESTMENT MANAGEMENT (continued)

November's US-election result, the ratification of a $900bn fiscal stimulus package, as well as positive vaccine news saw US equities finish 2020 strongly. Despite a shaky start, US equities posted strong returns over the first three quarters of 2021, as the country's legislature ratified a further $1.9tn fiscal stimulus package and posted good progress on COVID-19 vaccinations. Hints at tapering support from the Federal Reserve in the face of rising inflation tempered returns in Q3.

Although many countries such as Germany and France had been compelled to reintroduce lockdown restrictions in the face of rising infection rates towards the end of 2020, news of effective vaccines, a relatively successful inoculation campaign as well as further stimulus saw European equities advance over the period.

UK equities performed strongly over the last quarter of 2020 following November's positive vaccine news and a last-minute UK-EU Brexit deal in late December. The resumption of many company dividend payments, a very successful vaccination programme alongside further fiscal support, helped UK equities outperform overseas peers over Q1 2021. However, a delay in lifting COVID-19 restrictions due to virus mutation worries as well as friction with the EU over the Northern Ireland Protocol meant UK equities underperformed their developed market peers slightly over Q2 2021. Performance was generally muted over Q3 2021 as the Bank of England took a more hawkish tone as inflationary pressures continued to surpass expectations.

Over the year to 30 September 2021, Sterling's performance against major currencies was volatile. However, overall, it strengthened against the US Dollar and most other major currencies over the 12 months. Thus, the decision not to hedge currency exposure for the Scheme's overseas equity holdings was largely negative over the year.

In aggregate these factors helped drive very strong performance across the Scheme's equity portfolios over the year.

Property

At the aggregate level, UK property produced strong returns over the year to 30 September 2021. Both rental income and capital values experienced a recovery at the end of 2020 which carried over into the first half of 2021, driven primarily by positive investor sentiment on the back of the UK's successful vaccination campaign and the subsequent easing of restrictions. Performance dispersion among sectors remains high. The industrial sector in particular delivered strong performance over the entire period, with demand for logistics warehousing proving especially strong given the surge in online retailing. By comparison, the retail (aside from retail warehousing) and leisure sectors struggled throughout the period as a result of various social restrictions, causing many businesses to close for prolonged periods.

Matching portfolio (bond and LDI assets)

Over the year to 30 September 2021, nominal UK government bonds posted substantial negative returns, while inflation-linked UK government bonds posted broadly flat returns. Loosening of monetary conditions in November – with the Bank of England expanding its Quantitative Easing programme with the commitment to purchase an additional £150bn of UK government bonds – as well as heightened Brexit uncertainty meant that the asset class produced positive returns over Q4 2020.

INVESTMENT MANAGEMENT (continued)

Bond yields (which are inversely related to prices) rose sharply in the first quarter of 2021 on the back of the UK's successful vaccination rollout and US fiscal stimulus, both of which fuelled optimism of a swifter than anticipated return to economic normality. However, despite expectations of higher inflation – which became more ingrained over Q2 and Q3 2021 – and bouts of volatility UK government bonds delivered mostly positive returns over the latter half of the period, on the back of dovish central bank rhetoric and continued strong demand. This trend was reversed in September 2021 as both fixed and inflation-linked government bonds sold off sharply.

Overall, corporate bonds posted modest, negative, returns over the year to 30 September 2021 as the tightening of credit spreads[1] to levels not seen since early 2018 was more than offset by the uptick in bond yields experienced over the first three quarters of 2021. This "spread compression" in part reflected the increasingly positive economic outlook – and thus at the aggregate level, a reduced likelihood of corporate failure – as well as the Bank of England's decision to include corporate debt in its bond-purchasing programme.

Overall these trends resulted in negative performance across the Scheme's matching portfolio (made up of corporate bond and LDI assets) over the year to 30 September 2021.

Overall Scheme performance

Outperformance at the Scheme level for the year, relative to its strategic benchmark performance, was helped by strong outperformance from the Epworth equity funds, especially in UK equities, which for much of the year had a higher weighting than the overseas equities. The impact of the Scheme's asset allocation relative to strategic weights and ongoing rebalancing of the portfolio was also positive. Underperformance from the Scheme's matching assets was negative for the year and the main driver of the slight underperformance seen over three years, though the underperformance of the BMO LDI funds against their gilt-based benchmarks should also be viewed in the context of the interest rate and inflation risk reduction that these holdings provide.

[1] The credit spread is the additional return demanded by investors to hold a given bond compared with the return available on an equivalent risk-free government bond.

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 five meetings of the Trustee Board for the Scheme and four meetings of the Joint Investment Committee. Over the Scheme year to 31 August 2021, attendance by the Trustee Directors at the Board meetings was 90% (2020: 80%).

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 and believes it to be relatively strong. The Trustee used an external adviser to undertake a review of the employer covenant in the run up to the 2020 Valuation. PricewaterhouseCoopers LLP concluded that the covenant was 'Tending to Strong' but could be strengthened by the provision of a contingent assets package which is currently under negotiation.

SUMMARY OF CONTRIBUTIONS PAYABLE FOR THE YEAR ENDED 31 AUGUST 2021

During the year ended 31 August 2021, the contributions payable to the Scheme were as follows:

	£
CONTRIBUTIONS PAYABLE UNDER THE SCHEDULE OF CONTRIBUTIONS	
Conference normal contributions	7,597,118
Conference expense contributions	847,612
Member normal contributions	2,896,587
Total contributions payable under the schedule of contributions	11,341,317
OTHER CONTRIBUTIONS PAYABLE	
Member additional voluntary contributions	484,677
Total other contributions	484,677
TOTAL CONTRIBUTIONS REPORTED IN THE FINANCIAL STATEMENTS	11,825,994

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 it 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 3 March 2022 and signed on its behalf by:

INGRID KIRBY

On behalf of Capital Cranfield Pension Trustees Ltd

Ingrid Kirby **Chair of Trustee Board**

Representing Capital Cranfield Pension Trustees Ltd

For and on behalf of the Methodist Ministers' Pension Trust Limited

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 2021 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 2021, 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.

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.

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: 03/03/2022

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 2021 which is set out on page 19.

In our opinion contributions for the Scheme year ended 31 August 2021 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

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

It is our responsibility to provide a Statement about Contributions paid under the Schedule of Contribution 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: 03/03/2022

FUND ACCOUNT
For the year ended 31 August 2021

	Note	2021 £	2020 £
Contributions and Benefits			
Conference contributions	5	8,444,730	8,471,339
Membership contributions	5	3,381,264	3,402,314
Total contributions		11,825,994	11,873,653
Transfers in	6	228,880	11,001
Other income	7	3,650	504
		12,058,524	11,885,158
Benefits paid or payable	8	(20,307,978)	(19,703,158)
Payments to and on account of leavers	9	(108,999)	-
Administrative expenses	10	(1,174,322)	(1,199,097)
		(21,591,299)	20,902,255)
Net withdrawals from dealing with members		(9,532,775)	(9,017,097)
Returns on investments			
Investment income	11	11,146,796	12,679,962
Change in market value of investments	12	87,662,128	(28,574,779)
Investment management expenses	13	(2,426,667)	(3,625,030)
Net return on investments		96,382,257	(19,519,847)
Net increase/(decrease) in the fund during the year		86,849,482	(28,536,944)
Net assets of the Scheme			
At 1 September		487,452,414	515,989,358
At 31 August		574,301,896	487,452,414

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

STATEMENT OF NET ASSETS
(available for benefits) at 31 August 2021

	Note	2021 £	2020 £
Investment assets	12		
Pooled investment vehicles	14	513,900,732	461,075,659
AVC investments		3,159,680	2,507,331
Unquoted Equities		29,445	29,203
Accrued interest		1,499,306	2,184,257
Cash		27,490,441	19,309,255
Total net investments		546,079,604	485,105,705
Current assets	19	33,444,609	5,727,067
Current liabilities	20	(5,222,317)	(3,380,358)
Net assets of the Scheme at 31 August		574,301,896	487,452,414

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 9 of the Annual Report and these financial statements should be read in conjunction with this report.

Approved by the Trustee on 3 March 2022 and signed on its behalf by:

INGRID KIRBY
On behalf of Capital Cranfield Pension Trustees Ltd

Ingrid Kirby **Chair of Trustee Board**
Representing Capital Cranfield Pension Trustees Ltd

For and on behalf of Methodist Ministers' Pension Trust Limited

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

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 Marylebone Road, London, NW1 5JR.

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:

- CFB / 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.

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 managers fee 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.

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.

5. CONTRIBUTIONS

	2021 £	2020 £
Conference		
Normal contributions	7,597,118	7,621,056
Expense contributions	847,612	850,283
	8,447,730	**8,471,339**
Membership		
Normal contributions	2,896,587	2,903,216
Additional voluntary contributions	484,677	499,098
	3,381,264	3,402,314
	11,825,994	**11,873,653**

6. TRANSFERS IN

	2021 £	2020 £
Individual transfers in from other schemes	**228,880**	**11,001**

7. OTHER INCOME

	2021 £	2020 £
Donations	**3,650**	**504**

8. BENEFITS PAID OR PAYABLE

	2021 £	2020 £
Pensions payable	18,205,568	18,275,658
Retirement grants and lump sums	1,702,019	1,359,069
Death in service grants	314,263	37,278
Grants in respect of members who died within 5 years of retirement	86,128	31,153
	20,307,978	**19,703,158**

9. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2021 £	2020 £
Individual transfers out to other schemes	**108,999**	**-**

10. ADMINISTRATION EXPENSES

	2021 £	2020 £
Management and accountancy	270,746	266,898
Audit fees	20,997	23,940
Actuarial fees	302,992	219,167
Legal fees	103,946	262,692
Investment consultant	218,525	213,653
PPF levy	163,119	166,435
Bank charges	6,395	6,956
Trustee remuneration	19,651	19,405
Other	67,951	19,951
	1,174,322	**1,199,097**

11. INVESTMENT INCOME

	2021 £	2020 £
Distributions on CFB / Epworth funds	8,836,165	9,303,378
Realised gains on CFB investment sales	-	639,912
Distributions on property funds	2,274,044	2,533,965
Distributions on unquoted equity	2,676	2,513
Return on Partners Group Investment	-	41,579
Exchange gains	3,913	-
Interest on cash deposits	29,998	158,615
	11,146,796	**12,679,962**

12. RECONCILIATION OF INVESTMENTS

	Value at 01 September 2020 £	Purchases at cost £	Sales proceeds £	Change in market value £	Value at 31 August 2021 £
Pooled investment vehicles	461,075,659	128,715,900	(163,048,054)	87,157,227	513,900,732
AVC investments	2,507,331	617,796	(470,106)	504,659	3,159,680
Unquoted equities	29,203	-	-	242	29,445
	463,612,193	129,333,696	(163,518,160)	87,662,128	517,089,857
Accrued interest	2,184,257				1,499,306
Cash	19,309,255				27,490,441
Total investments	**485,105,705**				**546,079,604**

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, including profits and losses realised on sales of investments 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.

13. INVESTMENT MANAGEMENT EXPENSES

	2021 £	2020 £
Investment managers fees	2,453,945	3,625,030
Investment managers rebate	(27,278)	-
	2,426,667	**3,625,030**

14. POOLED INVESTMENT VEHICLES

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

	2021 £	2020 £
Equity	251,574,870	274,000,161
Bonds	87,501,715	75,732,583
Gilts	-	11,834
LDI	110,256,371	58,785,821
Property	48,604,841	45,574,579
Multi Asset	15,962,935	6,970,684
	513,900,732	**461,075,662**

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 disclosed using the following fair value hierarchy:

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

A fair value measurement is categorised in its entirely on the basis of the lowest level input which is significant to the fair value measurement in its entirety.

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

	At 31 August 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Pooled investment vehicles	-	449,332,957	64,567,775	513,900,732
AVC investments	-	3,159,680	-	3,159,680
Unquoted equities	-	-	29,445	29,445
Accrued interest	1,499,306	-	-	1,499,306
Cash	27,490,441	-	-	27,490,441
	28,989,747	452,492,637	64,597,220	**546,079,604**

	At 31 August 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Pooled investment vehicles	-	408,530,396	52,545,263	461,075,659
AVC investments	-	2,507,331	-	2,507,331
Unquoted equities	-	-	29,203	29,203
Accrued interest	2,184,257	-	-	2,184,257
Cash	19,309,255	-	-	19,309,255
	21,493,512	411,037,727	52,574,466	**485,105,705**

The Epworth Deposit Fund included within the above, holds a very significant allocation to fixed term deposits, which are by their nature relatively illiquid, and do not have valuations from recognised, active, public markets.

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:

- 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.

17. INVESTMENT RISK DISCLOSURES (continued)

The Trustee determined 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	○	○	○	●
Columbia Threadneedle TPUT	○	○	○	●
Partners Group PG Life 2018	●	●	○	●
BMO Short Profile Real Dynamic LDI Fund	●	○	●	○
BMO Short Profile Nominal Dynamic LDI Fund	●	○	●	○
BMO Nominal Dynamic LDI Fund	●	○	●	○
CFB Deposit Fund	●	○	○	○

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

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 or unquoted equities, as these are not considered significant in relation to the overall investments of the Scheme, or the Trustee bank account.

Credit risk

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

As at 31 August 2021 around 44% (2020: 33%) 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 monitor any changes to the operating environment of those pooled funds.

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 CFB UK Corporate Bond Fund, Partners Group PG Life 2018, BMO Short Profile Real Dynamic LDI Fund, BMO Short Profile Nominal Dynamic LDI Fund, BMO Nominal Dynamic LDI 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.

Currency risk

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

Whilst most 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.

17. INVESTMENT RISK DISCLOSURES (continued)

As at 31 August 2021 around 26% (2020: 17%) 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 invest in non-Sterling investments that are not currency hedged (though we note that a majority of the underlying non-EUR investments within PG LIFE 2018 are hedged back to EUR). 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 CFB UK Corporate Bond Fund, BMO Short Profile Real Dynamic LDI Fund, BMO Short Profile Nominal Dynamic LDI Fund and BMO Nominal Dynamic LDI Fund. The amount invested in each of these mandates is shown in the Statement of Net Assets.

As at 31 August 2021 around 37% (2020: 28%) of the Scheme's assets were invested in funds or securities that are significantly exposed to interest rate and/or inflation risk.

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 2021 around 59% (2020: 68%) 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 more than 5% of the total value of the net assets of the Scheme comprise:

	2021 £'000	%	2020 £'000	%
UK Equity	126,301	22	201,441	41
Overseas	125,274	22	72,556	15
Corporate Bond	87,502	15	75,721	16
BMO LDI	110,256	19	58,786	12
Mayfair Property Funds	26,132	5	24,598	5

19. CURRENT ASSETS

	2021 £	2020 £
Cash at bank	29,070,775	2,538,424
Cash receivable from sales of investments	4,300,008	2,700,014
Other	73,826	488,629
	33,444,609	**5,727,067**

20. CURRENT LIABILITES

	2021 £	2020 £
Other liabilities	265,254	289,002
Cash payables to investments purchased	3,100,000	1,800,001
Unpaid benefits	1,857,063	1,291,355
	5,222,317	**3,380,358**

21. EMPLOYER-RELATED INVESTMENTS

There were no employer-related investments during the year.

22. RELATED PARTY TRANSACTIONS

During the year, the Scheme paid £315,006 (2020: £329,075) to the Methodist Church Fund (MCF), for staff and overhead costs incurred in running the Scheme. This consisted of accountancy fees of £75,030 (2020: £73,200) and amounts paid via the MCF as paying agent totalling £239,976 (2020: £238,209), and rent service charges were nil (2020: £17,666).

During the year, the Scheme charged the Pensions & Assurance Scheme for Lay Employees of the Methodist Church £47,995 (2020: £47,642) for costs incurred in running that scheme.

Capital Cranfield Pension Trustees Limited who are represented by Ms Ingrid Kirby, are remunerated under the terms of the agreement signed on 9 August 2016. During the year fees of £19,651 (2020: £19,405) were paid to Capital Cranfield Pension Trustees Limited. Other Directors of the Trustee Board are not remunerated.

There are 4 Member Nominated Directors (MNDs) who serve for a period of 3 years and who can be re-elected. Revd Eleanor Smith, Revd Sydney Samuel Lake and Revd Dr John Illsley served on the Board during the year representing active members of the Scheme. Eleanor Smith and Sydney Samuel Lake paid contributions during the Scheme year in accordance with the Scheme rules. John Illsley also paid contributions to the Scheme until he retired from the Scheme on 31 August 2019. Revd Andrew Walker was appointed from 1 September 2021.

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 the contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 1 September 2017 to continue to be met for the period for which the schedule is to be in force.

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 8 March 2018.

   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**	30 July 2018
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

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 Marylebone Road
London
NW1 5JR

Tel: 020 7467 5287 Email: pensionshelp@methodistchurch.org.uk

MONEY HELPER (previously The Pensions Advisory Service)

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 pensions matters. Members can contact a Money Helper as follows:-

Tel: 0800 011 3797 Website: www.moneyhelper.org.uk

THE PENSIONS OMBUDSMAN

Should TPAS be unable to resolve the dispute, the member or TPAS may refer it to the Pensions Ombudsman, who has been appointed to investigate and determine any complaint or dispute of fact or law in relation to an Occupational Pension Scheme. He is completely independent, acts as an impartial adjudicator, and there is no charge for his service. The Pensions Ombudsman can be contacted at:

Pensions Ombudsman Service
10 S Colonnade
London
E14 4PU
Telephone: 0800 917 4487 E-mail: enquiries@pensions-ombudsman.org.uk
Website: www.pensions-ombudsman.org.uk

PENSION TRACING

A pension tracing service is carried out by the Department for Work and Pensions. This service can be contacted as follows:

The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU

Tel: 0800 731 0193 Website: www.gov.uk/find-pension-contact-details

APPENDIX I: IMPLEMENTATION STATEMENT

Implementation Statement, covering 1 September 2020 to 31 August 2021

The Trustee of the Methodist Ministers' 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, trustees (including the most significant votes cast by trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3.

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

The SIP was formally reviewed and updated in December 2020 to reflect:

- changes to the Scheme's equity portfolio, reducing the allocation to UK equities, and increasing the allocation to overseas equities with the aim of transitioning to a 50:50 split.; and
- removal of wording on the Scheme's former DC Section.

The SIP was also formally reviewed and updated in September 2020 to reflect:

- changes to the defined benefit ("DB") investment strategy aimed at rebalancing the Scheme's interest rate and inflation hedging.
- amended wording on the Long Serving Ministers arrangement (previously the DC Section of the Scheme), which had recently been merged into the Scheme's DB benefits.
- agreed changes to the lifestyle strategies which are available to members with AVC investments (and were previously available to members with Long Serving Ministers DC benefits).

A further update to the SIP was made in September 2021 (this falling outside the date range of the statement but being relevant to investment arrangements for part of the period) to reflect:

- a de-risking of the Scheme's investment strategy, including targeting higher levels of interest rate and inflation hedging and a lower allocation to equity assets.

As part of the 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 new and existing managers and funds over the period 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 and Epworth Investment Management Limited ("Epworth") presented to the Trustee during the year, 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 Methodist Church Joint Advisory Committee on the Ethics of Investment ("JACEI") performed an independent review of the Epworth investments which lie in funds 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".

In response to requests from Conference, the JACEI have, with help from Epworth, worked on a framework to address concerns about companies which are deemed to have business plans which were inconsistent with the 2015 Paris Agreement on climate change. In late April 2021, JACEI advised CFB/Epworth that no companies in the oil & gas sector made sufficient progress during the year to show that they were fully aligned with the targets set by the Paris Agreement. Epworth further confirmed it disinvested its last remaining oil & gas holdings as a result. The Trustee therefore considered whether amendments were required to its Responsible Investment Policy. Ultimately it concluded that there was no need to amend the policy as it already explicitly addressed climate related risks.

The Trustee has also sought to confirm that the Scheme's investment managers intend to sign up to the revised UK Stewardship Code which sets out standards for stewardship of assets, including voting and engagement practices. Epworth and Mayfair Capital signed up to the revised code in the first batch of signatories, confirmed in 2021. Both BMO and Columbia Threadneedle intend to apply for admission to the list of signatories for 2022.

3. Description of voting behaviour during the year

All the Trustee'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 on the Scheme's funds that hold equities as follows:

- CFB UK Equity Fund; and
- CFB Overseas 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 period. 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 health and safety practices at renewable energy assets and reviewing the waste generation of portfolio companies.

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 Church Investors Group policy on voting. This is implemented by Institutional Shareholder Services (ISS).
- Epworth utilises ISS to enact the Church Investors 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.

	CFB UK Equity Fund	CFB Overseas Fund
Manager name	Epworth Investment Management Limited	Epworth Investment Management Limited
Total size of fund at end of reporting period	£248m	£198m
Value of Scheme assets at end of reporting period	£126m	£125m
Number of holdings at end of reporting period	67	228
Number of meetings eligible to vote	86	230
Number of resolutions eligible to vote	1,430	3,392
% of resolutions voted	99%	97%
Of the resolutions on which voted, % voted with management	87%	78%
Of the resolutions on which voted, % voted against management	13%	22%
Of the meetings in which the manager voted, % with at least one vote against management	72%	79%

3.3 Most significant votes over the year

Commentary on the most significant votes over the period is set out below. 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.

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	AstraZeneca	Howden Joinery	Standard Chartered	BT Group	Rio Tinto	Lloyds Banking Group	Ocado Group	Berkeley Group	Just Eat Takeaway	Hilton Food Group
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	5.74%	1.37%	0.71%	0.83%	3.68%	1.92%	0.50%	1.18%	1.67%	1.36%
Date of Vote	7 May 2021	6 May 2021	12 May 2021	15 July 2021	9 April 2021	20 May 2021	13 May 2021	4 September 2020	7 October 2020	21 May 2021
Summary of the resolution	Elect Euan Ashley as Director	Re-elect Andrew Crips as Director	Re-elect Jose Vinals as Director	Re-elect Sir Ian Cheshire as Director	Re-elect Simon McKeon as Director	Authorise EU political donations and expenditure	Authorise UK political donations and expenditure	Approve Remuneration Report	Approve Remuneration Report	Re-elect Robert Watson as Director
How you voted	Abstain	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 director time commitments	Concerns over audit independence	Concerns over gender diversity at board level	One of the directors responsible for oversight of remuneration, which does not meet CIG policy		Concerns over level of political donations		Did not meet the criteria in the CIG policy on good practice		Concerns over gender diversity at both board and sub-board level

3.3.2 CFB Overseas Equity Fund

CFB Overseas Equity Fund										
	Vote 1	**Vote 2**	**Vote 3**	**Vote 4**	**Vote 5**	**Vote 6**	**Vote 7**	**Vote 8**	**Vote 9**	**Vote 10**
Company name	Facebook	Partners Group	Netflix	Infotel	Zebra Technologies	Alphabet	Amazon	Allegion	General Electric	Johnson & Johnson
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	1.08%	1.30%	0.29%	0.80%	1.36%	0.97%	1.87%	1.66%	0.17%	0.61%
Date of Vote	26 May 2021	12 May 2021	3 June 2021	19 May 2021	12 May 2021	2 June 2021	26 May 2021	3 June 2021	4 May 2021	22 April 2021
Summary of the resolution	Require Independent Board Chair	Approve remuneration report	Advisory vote on exec officers compensation	Approve remuneration policy	Advisory vote on exec officers compensation	Elect Ann Mather as Director	Elect Jeffrey Bezos as Director	Elect David D Petratis as Director	Elect Thomas Horton as Director	Elect Ronald A. Williams as Director
How you voted	For	Against								
Where you voted against management, did you communicate your intent to the company ahead of the vote?	The CFB sends letter to all holdings in the Global fund outlining its voting intentions on an annual basis.									
Rationale for the voting decision	Separation of roles is considered best practice and supported by CIG guidelines	Did not meet the criteria as set out in the CIG policy on good practice				Concerns over audit independence	Concerns over tax transparency	Chair and CEO with no intention to separate	Responsible for oversight of remuneration which does not meet CIG policy	