

An hourglass with gold sand is positioned on the left side of the image. To its right, there are several stacks of silver coins of varying heights, arranged on a light-colored wooden surface. The background is a dark, solid color.

# Summary Report

Pension and Assurance  
Scheme for Lay Employees  
of the Methodist Church  
as at 31 August 2021

The **Methodist** Church 

# Introduction

Welcome to the 2021 Annual Report to Members of the Pension and Assurance Scheme for Lay Employees of the Methodist Church (“the Scheme”). This report is designed to inform you of developments in the Scheme as well as update you on the financial position and the Scheme’s investments.

This issue features a summary of the Trustee Report and Accounts for the year to 31 August 2021.

As you are aware, the Scheme closed to new members and future contributions on 31 May 2019.

**Please note:** The full terms and conditions of the Scheme are contained in the Trust Deed and Rules. The Rules is a formal document, which will prevail in any dispute.

**Covid-19:** The outbreak of the pandemic has continued to cause disruption to economic activity which has been reflected in global stock markets and in turn, pension scheme valuations. The Trustee continues to manage risks associated with investment market price movements by constructing a diverse portfolio of investments across various asset classes and markets.

## At a glance

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# The Scheme's Funding position

Every three years the Trustee arranges a full actuarial valuation of the Scheme. The valuation gives a snapshot of the cost of providing benefits to be paid to members and how that compares with the value of the Scheme's assets. The last full valuation of the Scheme's assets was carried out with an effective date of 1 September 2020 and which was finalised on 30 November 2021. As reported to you earlier, the Valuation included a comprehensive contingent asset package agreed with the Employer to support the Scheme.

Between each triennial valuation the Scheme Actuary produces an actuarial report which gives an update on the funding position since the last full actuarial valuation was carried out, and explains any changes. In accordance with statutory legislation, the Trustee obtains annual actuarial reports which provide updates of the funding position and a Summary Funding Statement is included with this report. The funding update at 1 September 2021 was finalised on 13 April 2022.

The table below summarises the changes:

£'000s

	31/08/2018	31/08/2019	31/08/2020	31/08/2021
Assets	73,428	80,932	77,160	91,416
Liabilities	72,533	89,683	93,837	93,019
Shortfall/(Shortfall)	(895)	(8,751)	(16,677)	(1,603)
Funding level	98.8%	90.2%	82.2%	98.3%

The Scheme's next full valuation is being carried out at 1 September 2023. It is expected that the results will be available early in 2024.

# Summary Funding Statement

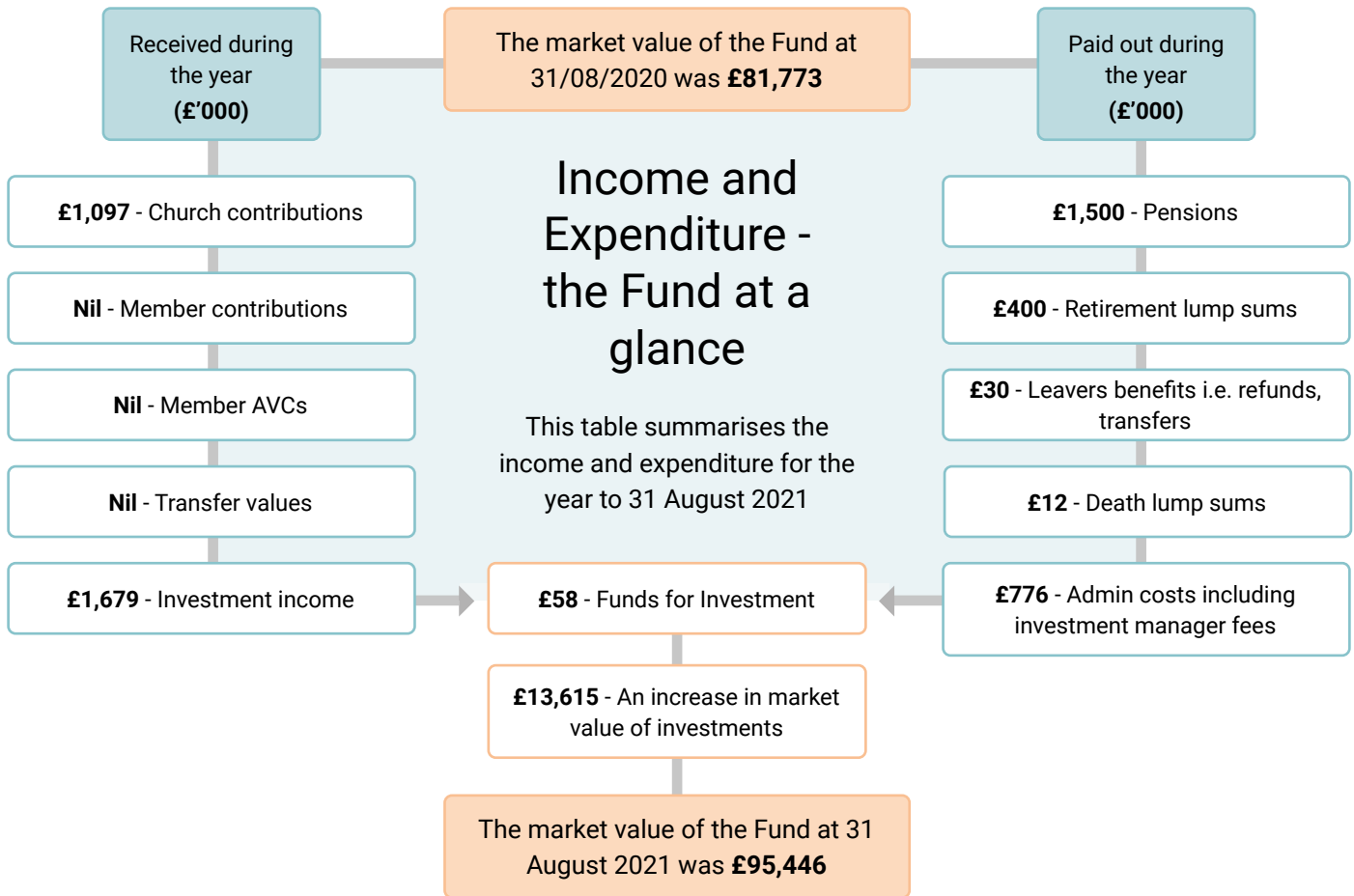
By law, every defined benefit scheme provider must produce an annual Summary Funding Statement. This Statement summarises the position between each valuation and explains any changes to the funding position. Following the completion of the 1 September 2020 valuation a Summary Funding Statement was issued and following completion of the 1 September 2021 valuation a Summary Funding Statement is enclosed.



# Report and Accounts

Each year the Trustee of the Scheme produces a formal Report and audited Accounts, which provide information on the financial position of the Scheme over the year. The following page provides an abbreviation of the Report and Accounts for the year ending 31 August 2021. The full accounts may be downloaded from here: <https://www.methodist.org.uk/media/26586/paslemc-31082021-typeset-signed.pdf>





# Investments and Investment Management

The Trustee is responsible for determining the Scheme's investment strategy and it sets this after taking into account considerations such as the strength of the Methodist Church's covenant and long term liabilities of the Scheme. The Trustee is represented by a Joint Investment Committee, (which deals with this Scheme and the scheme for Methodist Ministers), which considers decisions on investments and which it recommends to the Board of each Scheme.



The Trustee delegates the day-to-day management of the Scheme's assets to external professional investment managers. The Trustee has mandates in place with the following investment managers.

- Epworth Investment Management Limited ("EIML"), a wholly owned subsidiary of the Central Finance Board of the Methodist Church ("CFB") manages the Scheme's cash, corporate bond and equity assets.
- Schroder Real Estate Managers (Jersey) Limited ("SREMJ") manages the Mayfair Capital Property Unit Trust fund in which the Scheme has a holding.
- Columbia Threadneedle investments (previously BMO) manages the Scheme's Liability Driven Investment ("LDI") portfolio.
- Threadneedle Investments (CI) Limited manages the Threadneedle Property Unit Trust fund in which the Scheme has a holding.

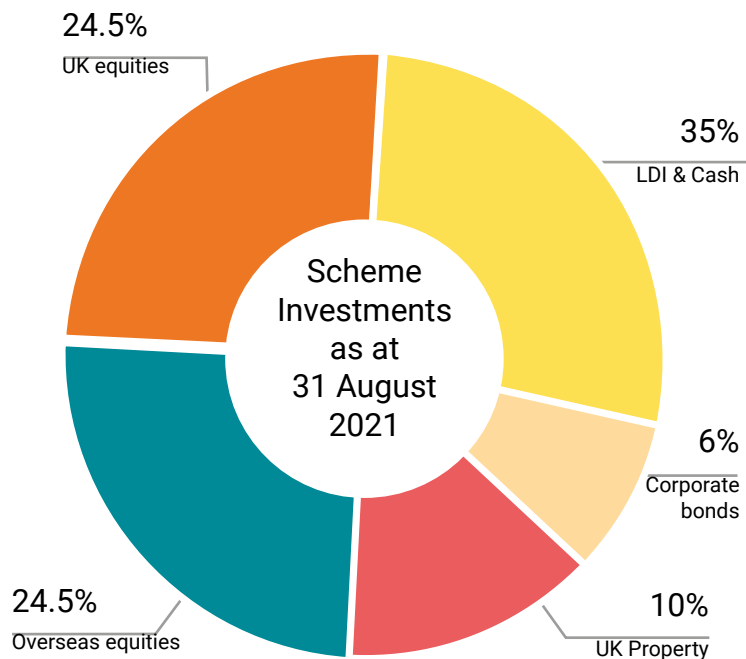
The Trustee determines the Scheme's investment strategy which it sets out in its Statement of Investment Principles (SIP).

The Trustee reviews the SIP once every three years or as otherwise becomes necessary. Disclosure legislation requires the Trustee to publish its SIP on its website and a copy of the latest SIP can be found here: <https://www.methodist.org.uk/media/26343/sip-paslemc-june-2022-marked-signed.pdf>

The Trustee has also produced an Implementation Statement which explains how it has implemented the voting and engagement policies set out in its Statement of Investment Principles. A copy of the Implementation Statement can be found here: <https://www.methodist.org.uk/media/24907/2021-paslemc-implementation-statement-september-2021-final.pdf>

The Trustee has implemented a de-risking framework based on a system of triggers to meet its objectives as detailed in its Statement of Investment Principles. This broadly involves increasing the matching assets and decreasing the

return seeking assets if certain trigger thresholds are met. Therefore, the actual asset allocation may be expected to shift progressively over time. The allocation at 31 August 2021 is illustrated here:



## How is the Fund performing?

The market value of the Fund (in £000s) increased from £81,773 to £95,446 over the year to 31 August 2021 (see page 5).

The investment return of the Fund over the 12 months to 30 September 2021 was 12.5% compared with 12.8% per annum for the benchmark index. Over three years the return was 6.9% per annum, compared with 8.1% per annum for the benchmark.



## Social, environmental and ethical policy

The Trustee invests its assets responsibly in delivering its objective to pay the right benefits to members at the right time. For this reason, the Trustee has its own Responsible Investment Policy, which can be accessed here: <https://www.methodist.org.uk/media/24090/paslemc-responsible-investment-policy-draft-may2021v2-final.pdf> When investing the assets of the Scheme, the Trustee considers the integration of Environmental, Social and Governance matters in investment managers' processes in the belief that these factors can have an impact on performance.

The Trustees' Responsible Investment Policy is consistent with that of the Methodist Church. To monitor alignment with the policy, the Trustee reviews the annual report to Conference from the Joint Advisory Committee on the Ethics of Investment, which advises the CFB on ethical matters relating to investment. The Conference noted the Committee judges that the CFB has managed the funds under its control in support of an ethical stance which is in accordance with the aims of the Methodist Church.

The CFB / EIML have a strong stance and a clear policy on ethical investments which can be accessed here: <https://www.cfbmethodistchurch.org.uk/ethics/index.php>



# Additional Voluntary Contributions (AVCs)



The Trustee holds assets invested separately from the main fund in the form of insurance policies with Aegon Investment Solutions Limited. These policies secure additional benefits on a money purchase basis for the members electing to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement confirming the amounts held in their account and movement in the year.

The Trustee has made available a selection of funds for investment. However, where no choice is made from the outset, contributions have been invested in the default fund – the Ethical Cautious Fund. Its strategy aims to provide a combination of income and long-term capital growth by investing in a diversified portfolio of UK equities, fixed bonds and cash, similar to the ethical investment stance of the Methodist Church.

The accumulated AVC fund value at retirement can be used to purchase an additional pension (either within the PASLEMC, or externally on the open market), or, as an alternative, all or part of the AVC fund can be taken as cash at retirement (subject to HMRC limits).

Further information on AVCs is available from the pensions section of the Methodist Church website or directly from the Pensions Office. Specific information on each of the funds, including past performance details, can be found on the Aegon website.

- To access the latest Aegon High Equity With-Profits Fund (WP2) Factsheet here: <https://www.aegon.co.uk/content/dam/ukpaw/documents/WP2-Customer-Factsheet.pdf>
- You can access the latest Factsheet for all other Funds here: <https://aegon.co.uk/Funds/Fund-prices-andperformance/Pension-funds/index.htm> Please then click on “Other Fund Ranges”. In order to access each Fund you will need to enter its unique ISIN code from the following list:

Fund Name	ISIN CODE
Blackrock Aquila 50/50 Global Equity Index	GB00B1G51136
Blackrock Aquila Over 15 Years Corporate Bond Index	GB00B1G2W778
Active Cash Fund	GB00B96SH433
Ethical (Equity Fund)	GB0007845422
Ethical Cautious Fund (Default Fund)	GB00B583JW06
Ethical Corporate Bond Fund	GB00B1VRK844

# Pension Increases



The Rules of the Scheme provide for increases to pensions in payment as follows:

- 5% pa fixed for members who joined before 2 December 1997, on pensions accrued before 1 September 1998.
- Lower of 5% pa or Retail Prices Index (RPI) for pensions accrued before 1 September 1998, for members who joined after 1 December 1997.
- Lower of 5% pa or RPI for pensions accrued between 1 September 1998 and 5 April 2005.
- Lower of 2.5% pa or RPI for pensions accrued from 6 April 2005 onwards.

Pension increases are effective from 1 September each year and are considered in conjunction with July RPI inflation figures. The increases applied as at 1 September 2021 were:

Pensions in relation to service	Increase awarded
Pensions accrued prior to 1 September 1998 (for pre 2 December 1997 joiners)	5% Fixed
Pensions accrued prior to 1 September 1998 (for post 2 December 1997 joiners)	RPI, Max 5% 3.8% (2020 : 1.6%)
Pension accrued between 1 September 1998 and 5 April 2005	RPI, Max 5% 3.8% (2020 : 1.6%)
Pensions accrued since 6 April 2005	RPI, Max 5% 2.5% (2020 : 1.6%)

# Summary of Benefits payable from the Scheme

## On Retirement

- A pension based on Final Pensionable Earnings x  $\frac{1}{70}$  ( $\frac{1}{60}$  for service before 1 September 2006) x years of Pensionable Service.
- The option to exchange part of the pension for a tax-free lump sum.
- Annual pension increases.

## On Death before Retirement\*

- A refund of your own contributions.

## On Death after Retirement

- A spouse's/civil partner's pension equal to half your own pension (before you exchange any part of it for a cash lump sum).
- Dependent children's pensions equal to 25% of the spouse's pension for each child under age 18, subject to a maximum of four children.
- A lump sum payable if you die within five years of starting to receive your pension.

## Closure and Scheme membership

The Scheme closed to further accrual of Pensionable Service on 31 May 2019. Actively contributing members of the Scheme at this date who had attained 24 or more months Pensionable Service were categorised as **Closure Members**. From 1 June 2019 a benefit underpin applies to the calculation of the deferred pension. Once employment ceases the deferred benefit will be recalculated, as the benefit underpin guarantee will no longer apply. Further details may be requested from the Pensions Office.

\*Closure Member - if death occurs before retirement and whilst still employed by the Church, a pension of 25% of your pension, calculated at the date of death, will be payable to a spouse/civil partner and/or child.

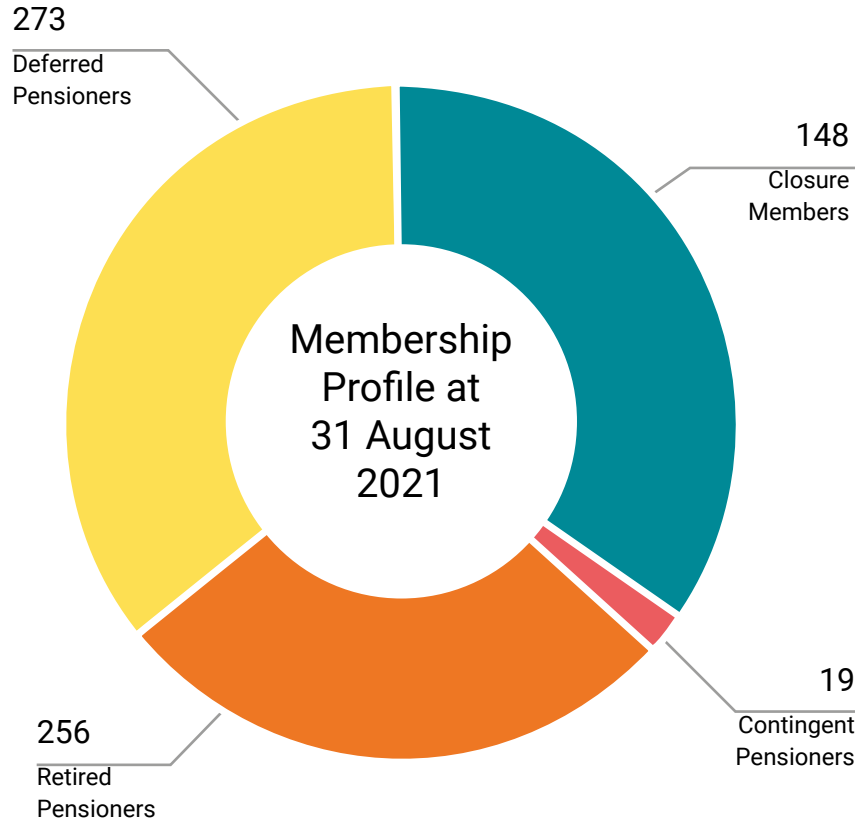
*Important Note: The Trustee has discretion as to whom any lump sum death benefit is paid. If you wish, you may nominate a beneficiary by completing a Nomination Form. If you have not completed one, cannot recall if you have, or simply want to update your wishes, please obtain a Nomination Form from the Pensions Office.*

# Membership Profile

Membership numbers at 31 August 2021 are summarised in the chart opposite. ▶

Deferred members are former contributors where pension benefits are held within the Scheme until such time that retirement is taken. Closure Members are former contributors where Pensionable Service ceased on 31 May 2019 and who continue to be employed by the Church.

Pensioner numbers are represented by 256 retired pensioners (of which 23 are paid via insured annuity contracts), and 19 contingent pensions that are paid to a widow or widower.



# Additional Information



## State Pension Age (SPA)

The State Pension Age (SPA) is the earliest you can claim your State Pension. Your SPA depends on when you were born. The Department of Work and Pensions has confirmed the current SPA to be 66, with gradual increases to age 68 over the period to 5 April 2046. The proposed changes bring forward the increase to age 68 so that it will operate over the period to 5 April 2039. The proposed changes will affect those born on or after 6 April 1970 and before 5 April 1978.

**The increases to SPA, if agreed will be as follows:**

- SPA rises to age 67 between 2026/2028
- SPA rises to age 68 between 2037/2039

Should you wish to calculate your SPA please click on the following link:

<https://www.gov.uk/state-pension-age>

## How does this affect your benefits in the Scheme?

Normal Pension Age (NPA) in the Scheme for service from 1 September 2015 would be the date male SPA has been attained. Hence, depending on your age, the change in your SPA will affect the date from which you can draw the benefits you have accrued from 1 September 2015 onwards, on an unreduced basis. (NB. There is no change to the benefits you have accrued before 1 September 2015).

# Pension Scams

**WARNING: No matter how savvy you are, anyone can be a pension scam victim!**

The Pension Regulator is committed to combatting pension scams as part of its new campaign. Anyone can be a victim of a pension scam, but spotting the signs can help to avoid them.

## Can you spot the warning signs?

- Cold calling about pensions, contact out of the blue or contact through social media, email, text;
- Phrases like “free pension review, pension liberation, loan, loophole, savings, advance, one-off investment, cashback;”
- Guarantees of better returns on pension savings;
- Help to release cash before age 55;
- Unusual high risk, complicated or overseas investments;

- Pressured sales tactics - usually with time limits when the deal expires;
- Documents delivered via couriers who wait until you sign on the dotted line.

The Regulator’s booklet on how to spot a scam can be located here: [https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/16423\\_pensions\\_consumer\\_leaflet\\_screen.ashx](https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/16423_pensions_consumer_leaflet_screen.ashx)

**Savers could lose all their money!**

Speak to an independent Financial Conduct Authority authorised adviser before making any decisions to transfer.

**WARNING: The Trustee may take a risk-based decision as to whether to allow the transfer if there are sufficient red flag warnings. The Trustee may ask for further information after which it may decide to refuse to complete the transfer.**

## Electronic Communications

Methodist Church House staff are working on a hybrid basis and thus dealing with post received at Methodist Church House results in some members having to wait longer for responses. Communicating by email is almost instantaneous, it enhances communications by quickly disseminating information and can lead to faster responses to enquiries.

**The Pensions Team are therefore asking enquirers to provide an email address so that responses can be dealt with more efficiently. If you wish to provide an email address for correspondence purposes, please contact the Pensions Team (see page 18).**

NOTE; If you wish to opt out of receiving electronic communications, or have any concerns please contact the Pensions Office.





## The Trustee Board

The Trustee is a corporate body appointed by the Methodist Council. The Trustee has a Board of Trustee Directors that ensures the Scheme is operated in accordance with its Rules and in line with legislative guidance.

There are eight Trustee Directors, some nominated by the Methodist Council and some by members of the Scheme, as follows:

- Four are Employer Nominated Trustee Directors and who are lay persons with professional experience in pensions or investment matters
- One is an Independent Trustee; and
- Three are Member Nominated Trustee Directors.

The Trustee Board Directors are:

### **Church Directors**

Mr Ronald Calver

Mr Graham Danbury (retired 31/08/2021)

Ms Anne M Fairchild (appointed 01/09/2021)

Mr Richard Hubbard (Chair) - Representative of Capital Cranfield Pension Trustees Limited (appointed 01/09/2021)

Ms Ingrid Kirby - Representative of Capital Cranfield Pension Trustees Limited (retired 31/08/2021)

Mr Andrew Paul

### **Member Nominated Directors**

Mr Stephen Beer (resigned 15/01/2021)

Mr Christophe Borysiewicz (appointed 01/09/2021)

Mr David Fletcher (appointed 01/09/2021)

Mr William Seddon

# Help and Support



## Answering your questions

If you have a question about the Scheme or about any of the detail contained within this document, please contact the Pensions Office as follows:

**Meena Tooray**  
Scheme Secretary /  
Pensions Manager

**Christopher Pottruff**  
Deputy Pensions  
Manager

**Michael Hutton**  
Pensions  
Administrator

### Keeping us informed:

Should any of your personal details change, including changes in your correspondence address, please ensure that you inform the Pensions Office in writing, Pensions Office, Methodist Church House, 25 Marylebone Road, London NW1 5JR or by email to [pensionshelp@methodistchurch.org.uk](mailto:pensionshelp@methodistchurch.org.uk).

Please note that under the Rules of the Scheme a lump sum death benefit is payable under discretionary trust. As such the Trustee will consider your wishes, though they are not necessarily bound by them, before taking any decision as to the recipient of such benefit.

Please therefore ensure that your nomination is kept up to date. If your circumstances have changed, or if you simply wish to update your nomination, please contact the Pensions Office by email to [pensionshelp@methodistchurch.org.uk](mailto:pensionshelp@methodistchurch.org.uk) or by clicking on the following link: <https://www.methodist.org.uk/media/17145/paslemc-nomination-form-for-payment-of-death-benefits-new-version.doc>



The **Methodist** Church 

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