

Confirmation of pension benefit change for the Pension and Assurance Scheme for Lay Employees of the Methodist Church (PASLEMC)

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Status of Paper	Final
Action Required	To note
Resolution	114/1. The Council receives the report.
Alternative Options to Consider, if Any	None

Summary of Content

Subject and Aims	To confirm the final decision on the pension benefit following consultation with active members.
Main Points	<p>The Council consulted with active members of PASLEMC concerning proposed changes to the pension benefits after 1 September 2015.</p> <p>The final decision was delegated to representatives of the Finance Sub Committee and at least two members of the Methodist Council.</p> <p>The delegated committee met on 23 July 2015 to consider the representations made, and decided to proceed with the pension benefits changed as advised in the consultation documents.</p> <p>This paper is to inform the Methodist Council of the final decision.</p>
Background Context and Relevant Documents	MC/15/31
Consultations	With active members of PASLEMC

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1 Introduction

- 1.1 This paper confirms the outcome of the Council consultation on proposed benefit changes to the Scheme.
- 1.2 The Council agreed at its April 2015 meeting to consult with active members of PASLEMC. Council paper MC/15/31 provides further information and background.
- 1.3 In adopting resolution 31/6 The Council delegated the final decision on the pension changes to the Finance Sub Committee of the Strategy and Resources Committee which for the purposes of considering this matter was supplemented by two members of the Council together with at least two Council members.

2 Background

- 2.1 The preliminary results of the Actuarial Valuation as at 1 September 2014 showed a small deficit in PASLEMC but a significant increase in the cost of future service benefits. If no changes were made to the employee contribution rate or the future benefits, the employer future service rate would increase from 19.8% of pensionable salaries to 25.9% of pensionable salaries, after allowing for commutation.
- 2.2 The actuarial results showed that the shortfall had reduced from £2m to around £300k and the Council agreed to recommend to the Conference that this shortfall be paid from the Pensions Reserve Fund. As no deficit contributions would therefore be required, the employer rate would increase from the current rate of 24.1% to 25.9% of pensionable salaries if no changes were made to future benefits or the employee contribution rate. This recommendation was subsequently adopted by the Conference.
- 2.3 The Finance Sub-Committee considered that the Council would not wish to increase the employer contribution rate above 24.1% so explored a number of ways to reduce the future service rate and recommended to the Council that they consult with employees on a change to their Normal Pension Age in line with the male State Pension Age. This change happened in the Ministers' Scheme in 2013.
- 2.4 The Council agreed in April 2015 to consult with members over the change to the normal pension date and the definition of pensionable salaries, and delegated the final decisions to representatives of the finance sub-committee and at least two members of the Methodist Council. Prof David Matthews and Dr Martyn Evans were appointed by the Council to undertake this role.
- 2.5 Letters and consultation documents were sent to 197 active members of the Scheme on 15 May 2015, and comments and suggestions were invited by 15 July 2015. During the 60 days consultation period a total of 10 representations were received.

3 Consideration of Consultation Responses

- 3.1 A meeting of representatives of the Finance Sub-committee and the two members of the Council took place on 23 July 2015 to consider the responses to the consultation.
- 3.2 Two of the responses were in favour of the changes and felt the proposals were a positive way forward.

- 3.3 A collective response was received from five active members. The members recognised the generosity of the Scheme and felt that it was inappropriate to expect employers to contribute 25.9% of pensionable earnings. They put forward two alternative proposals for consideration. The first was to increase member contributions from 8% to 9.8% and the second was closing the Scheme to new entrants. On the proposal to increase member contributions it was noted that this had been discussed at the joint meeting between representatives of the Finance Sub-Committee of SRC and PASLEMC Trustees. It was felt that an increase in member contributions was not an equitable way to deal with the increase in future service costs as all the increase would be borne by the members and none by the employer.
- 3.4 The proposal to close the Scheme to new entrants was discussed at the meeting and it was noted that, although the overall cost to employers may reduce over time, the cost of future service benefits in PASLEMC would not reduce from 1 September 2015. It was also noted that a review of the availability of PASLEMC as part of the remuneration package was being undertaken as part of the Council's pay and grading review, and it was appropriate for that review to consider whether to close the Scheme to new entrants.
- 3.5 Three responses were received from members with the preferential early retirement terms who all felt that the consultation documentation did not expressly refer to their preferential early retirement terms. Legal and actuarial advice had been obtained prior to the meeting which confirmed that the preferential early retirement terms did not form part of the consultation.
- 3.6 It was agreed that the preferential early retirement terms would remain in place for service both before and after 1 September 2015 and a separate letter would be sent to members with preferential early retirement terms advising them of the terms and that those terms remain secured.
- 3.7 The legal adviser had confirmed that the consultation with members was valid.

4 Final Decision on Pension Benefit Changes

- 4.1 Those present at the meeting had considered each of the responses to the consultation fully and agreed that the alternative proposals put forward should not be adopted for the reasons given above. It was therefore agreed that the following benefit changes would be made:-
- The Normal Pension Date in PASLEMC would be amended to the male State Pension date for service from 1 September 2015
 - The definition of pensionable earnings would be amended from 1 September 2016 with the deduction changing from 'Basic State Pension' to '75% of the Single-Tier State Pension' from 1 September 2016.

5 Next Steps

- 5.1
- The Methodist Council is being notified of the final decision on the benefit changes.
 - Approval for the amendment of the Rules of PASLEMC has been obtained
 - A communication would be sent to all active members of PASLEMC notifying them of the outcome of the consultation.
 - The legal advisers would amend the Rules of the Scheme by 31 August 2015 and the benefit changes would be implemented from the relevant dates given in the consultation documentation.

*****RESOLUTION**

114/1. The Council receives the report.