

SECTION 9: PENSIONS

This section provides information on:

- The different types of pensions which an employer may offer
- Decisions of Conference relating to Lay Employees

Types of Pensions

There are various ways in which pension provision can be made to people in employment:

- State Basic Retirement Pension

This is paid to people who have made or been credited with National Insurance contributions.

- State Second Pension (S2P)

This is paid to people who make National Insurance contributions above the Lower Earnings Limit (LEL).

- Occupational Pension Schemes

These are corporate schemes. Usually both the employer and the employee make contributions to the scheme, which can be a final salary scheme or a money purchase scheme.

- Stakeholder Pensions

These pensions were introduced in 2001 in an attempt by the Government to encourage people to save for their retirement. They are aimed at those on relatively low incomes and those who are not employed. They are provided by banks, building societies and insurance companies.

Employers with five or more employees who do not operate a pension scheme are required to provide access to a stakeholder pension scheme.

- Private Pensions

Employees who have a private pension may choose to contract out of the S2P scheme in which case they will pay a reduced rate NI contribution. The private pension provider should notify the HM Revenue and Customs of their member's contracted out status.

Appointments within the Methodist Church

Pension provision must be made for all employees subject to the provisions set out below. The options are as follows:

Lay Employees, as defined in Standing Orders 570

The Methodist Conference of 1999 passed the following resolution:

“The Conference requires employing bodies to offer pension provisions to all employed Lay Employees to whom a new contract of employment is issued under S.O. 438A on the basis of contributions of at least 6% of salary by the employing body and 6% by the Lay Employee. Where the Lay Employee is not already a member of a suitable pension scheme then the payment should be made into an appropriate money purchase plan. The Conference directs that this requirement shall be published to Employing Bodies as a special term of employment of Lay Employees under S.O.438A (3) (iiA).”

Providers of such a pension plan must be one of mutual choice. Should there be no preferred provider, arrangements have been made with the Pensions Trust to receive a proposal. This organisation already provides the Pension Schemes of a number of Methodist organisations, districts and circuits.

The Pensions Trust is a non-profit-making organisation managed by a Corporate Trustee and the assets are managed by independent investment managers. Two options are offered:

Growth Plan

Unitised Ethical Plan

If you choose to appoint the Pensions Trust they will provide you with full information direct. Contact details for The Pensions Trust are provided below.

An individual personal pension does not count as a suitable alternative.

All other employees

The employer has two options in addition to the state provisions:

1. The Pensions Trust

The Pensions Trust can provide the same pension scheme available to Lay Employees to other lay employees on the basis of the employer contributing at least 1% of the lay employee's salary. Churches and circuits will need to make at least a nominal contribution in order to avoid the requirement for providing a stakeholder pension. The advantages are that this is an existing arrangement, the charges are relatively low and the administration is simple.

Standing Orders do not currently deal with the question of pension provision for other lay employees. It is suggested however that churches and circuits consider making a similar contribution to that recommended by the Conference in respect of Lay Employees, as described above, even if there is only one lay employee.

2. A Stakeholder Pension

Access to a stakeholder pension must be provided if the employer:

- Will not make a contribution to The Pensions Trust scheme
- Has no other occupational scheme that the employee can join
- Has more than four employees

This does not apply to the following employees:

- Those who have been employed for less than three months
- Those under 18
- Those who are less than 5 years from retirement
- Those earning less than the Lower Earnings Limit (LEL)

Employers are not required to contribute to a stakeholder pension but they have to mutually agree with the employee its selection, deduct contributions from the employee's pay, remit them to the pension provider and keep records.

In applying the stakeholder pension regulations circuits, districts and churches may each be regarded as the employer of a variety of employees who, for this purpose, must include presbyters and deacons. If, for example, a circuit has more than four employees, consisting of, say, two ministers, one deacon, one Lay Employee and one lay employee, access would have to be provided if there is no suitable alternative.

An individual personal pension does not count as a suitable alternative.

Note: Ministers, probationers and deacons have the option to join the Methodist Ministers' Pension Scheme (MMPS)

The Pensions Trust

Depending on whether the church, circuit or district is an existing client of the Trust, or wishes to enquire about joining, information about the scheme offered by The Pensions Trust can be obtained from:

Existing client

The Pensions Trust
Verity House, 19 Haymarket Yard
Edinburgh, EH12 5BH
0131 341 1200

Potential new client

The Pensions Trust
Verity House, 6 Canal Wharf
Leeds, LS11 5BQ
0113 234 5500

Note: Under the regulations of the Financial Services Act 1986 the Connexional Officers are unable to give advice on any offer made to you but you may get advice from a local financial adviser (see your local Yellow Pages).