

Methodist Ministers Pension Scheme (MMPS) and Pension and Assurance Scheme for Lay Employees of the Methodist Church (PASLEMC)

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Status of Paper	Final
Action Required	Decision
Draft Resolutions	As contained in the report.
Alternative Options to Consider, if Any	None.

Summary of Content

Subject and Aims	To update the Council on several developments regarding the Pension Fund Boards.
Main Points	Appointment and Reappointment of the Trustee Directors of MMPS/PASLEMC. To note the update on Automatic Enrolment. To consider the MMPS Trustees recommendation that contracts be entered into with Sector Employers and action to be taken if the full rate of contribution is not paid by a Sector Employer.
Background Context and Relevant Documents	One-third of the lay directors of Methodist Ministers Pension Scheme retire by rotation each year and are eligible for re-appointment to the Board. Methodist Council appointed directors to the Pension and Assurance scheme for Lay Employees of the Methodist Church are appointed for a period of three years but can be re-appointed for a further term.
Consultations	None

Methodist Ministers' Pension Scheme (MMPS) and Pension and Assurance Scheme for Lay Employees of the Methodist Church (PASLEMC)

MMPS - Trustee Directors

1. The Trustee Board of MMPS comprises nine directors, five of whom are lay persons nominated, with the approval of the Conference, by the Methodist Council. There are four member-nominated directors. One-third of the lay directors retire by rotation each year and are eligible for re-appointment to the Board. The following lay directors retire by rotation from the Board on 31 August 2013 and are willing to continue to serve on it: Mr Keith Woodley and Mr Ron Calver.

*****RESOLUTION:**

63/1. The Methodist Council nominates, for the approval of the Conference, Mr Keith Woodley and Mr Ron Calver for reappointment as directors of the Trustee Board of MMPS, as from 1 September 2014.

2. Mr Robin Harris resigned from the Board effective from 30 June 2013. The Trustee Board appointed Mr John Wyatt on a casual basis from 1 December 2013 to retire by rotation on 31 August 2014. Mr John Wyatt is willing to continue to serve.

*****RESOLUTION:**

63/2. The Methodist Council nominates, for the approval of the Conference, Mr John Wyatt for appointment as director of the Trustee Board of MMPS, as from 1 September 2014.

3. The Revd Stuart Bell (Nottingham (Trent Valley)) has been re-elected a director of Methodist Ministers Pension Trust Limited by the active membership of the Scheme to take office on 1 September 2014.

*****RESOLUTION:**

63/3. The Methodist Council notes the re-appointment of the Revd Stuart Bell as member nominated director of Methodist Ministers Pension Trust Limited, as from 1 September 2014.

PASLEMC - Trustee Directors

4. Mr Nigel Wrighton has been re-appointed as a member nominated director of the Methodist Lay Employees Pension Trust Limited by the pensioner membership of the Scheme as from 1 September 2014.

*****RESOLUTION:**

63/4. The Methodist Council notes that Mr Nigel Wrighton will be re-appointed as a member nominated director of Methodist Lay Employees Pension Trust Limited, as from 1 September 2014.

MMPS and PASLEMC – Automatic Enrolment update

5. The Conference agreed that MMPS should be used as the qualifying scheme for Automatic enrolment for ministers and the staging date was set as 1 September 2013.
6. 146 Ministers were automatically enrolled on 1 September 2013 and 8 have subsequently elected to opt out.
7. The Methodist Council agreed that PASLEMC should be used as the qualifying scheme for automatic enrolment for its employees and the staging date was set as 1 September 2013.
8. 87 employees have been automatically enrolled from 1 September 2013 to 31 January 2014, and 18 subsequently elected to opt out.
9. The MMPS and the PASLEMC are both registered as qualifying schemes with the Pensions Regulator. The certificate is valid for 3 years and then they need to be renewed. The renewal will be incorporated as part of the triennial valuation of the Schemes to minimise cost.

*****RESOLUTION:**

63/5. The Methodist Council notes the update for automatic enrolment.

MMPS - Direct Contributions and Employer Responsibilities

10. Background

- 10.1. Eligibility to the Methodist Ministers Pension Scheme (MMPS) is governed by the Rules of the Scheme. Eligibility extends to Probationers and all Presbyters and Deacons in full Connexion. This includes those stationed as members of staff in training institutions, other bodies within the control of the Methodist Church, and also to those in appointments outside the control of the Church, previously referred to in the Standing Orders as the “Sectors”. There are approximately 20- 25 Members ‘employed’ as such in external institutions and other bodies. For convenience, this paper refers to their employers as “Sector Employers”.
- 10.2. The Rules require member contributions to be paid from their remuneration. Church contributions should be paid by the person responsible for the Member’s remuneration. Currently, Sector Employers are required to deduct employee (member) contributions and pay employer (Church) contributions based on the level of Standard Stipend as defined in the Rules.

11. Issues Arising

- 11.1. There are two main issues arising from allowing Sector Members to remain within the ambit of the MMPS.
- 11.2. Firstly, there are no formal agreements in place requiring Sector Employers to make deductions and pay employer contributions at the rates set out in the MMPS Rules. Technically they are not obliged to participate even though they continue to do so.

- 11.3. If Sector Employers do not contribute at the set rate, the relevant members are currently asked to make up the shortfall at their own expense, or alternatively, accrue benefits pro rata. Two members currently fall into this category. There is no formal provision for this policy in the Rules to pro rata their benefits in such a way. The Trustees are therefore exposed to a risk of claims arising from a failure to accrue and pay out pensions at the rate set out in the Rules even though the Members concerned have agreed to these special terms. If these terms are to continue then the actuaries recommend that the arrangements are formalised in the Rules themselves.
- 11.4. Secondly, there is no certainty as to whether the Sector Employers represent “statutory employers” for the purposes of pension law. This definition of an employer is distinct from that of an employer in the context of a regular employment law relationship. A statutory employer is responsible for, amongst other matters, meeting a scheme’s funding obligations and debts and for contributing towards any deficit in the scheme in certain statutorily defined circumstances (a “section 75 liability”). This includes contributing to the deficit when it leaves a scheme by no longer employing eligible members.
- 11.5. Statutory employers will usually sign deeds of adherence in order to accept their statutory obligations and to agree to pay over contributions.
- 11.6. The Trustees of MMPS sought legal advice on whether the Sector Employers are statutory employers. The advice considered recent legislation, case-law and guidance, and confirmed that there is genuine uncertainty as to how a court or the Pensions Regulator would in future view the MMPS and, as such, the responsibilities of the Sector Employers. The advice concluded that the MMPS trustee board and Church should amend the Rules and adopt policies with a view to ensuring, as far as is reasonably possible, that the scheme operates as and is seen to be a single-employer scheme and that the Sector Employers are not statutory employers. The recommended course of action is the most appropriate in the current circumstances. If future changes result in further clarity about how the law will apply then the situation will be reviewed again accordingly.
- 11.7. The MMPS was intended to be a single-employer scheme. Action therefore needs to be taken to ensure that it does not evolve into a multi-employer scheme as an unintended consequence of some Members’ employer contribution not being paid by the Church, together with subsequent changes to the legal framework.

12. Trustee’s view

- 12.1. The Trustee Board of MMPS has indicated that its preference is to remain a single-employer scheme. The Trustee Board has agreed, in principle, to amend the MMPS Rules to state explicitly that the Church is the sole statutory employer for the purposes of pension law and that no other employers are to be regarded as statutory employers. The Trustees do not require a resolution of the Conference to make this clarification.
- 12.2. The Trustees could require Sector Employers to enter into simple contractual arrangements which oblige them in law to pay employer contributions at the rate set by the Rules, but make clear that they are not statutory employers for the purposes of Section 75 responsibilities.
- 12.3. Sector Employers may not be receptive to such arrangements and they may indeed refuse to enter into them. They are however more likely to agree to these than enter into full deeds of adherence. It would be clear to any minister considering accepting a post with such an employer that this would potentially affect their pension provision and they would need to weigh that when deciding to accept the post.

- 12.4. For Sector Employers that refuse, there is a theoretical possibility that the Conference could consider funding shortfalls to mitigate the risk posed to the Trustees. This would raise the issue of how this was funded – the Conference may not wish for circuits to make up this shortfall via the Methodist Church Fund (MCF) simply because some employers are not prepared to pay their contributions. In addition, the Trustees consider such an approach may not be entirely equitable to all Members of the MMPS. Moreover, it would involve a policy decision that it is for the Conference and not the Trustees to make.
- 12.5. The alternative option is that the Trustees either temporarily or permanently exclude Sector Members whose employers do not contribute at the set rate. This approach could be adopted for all Sector Employers, including current employers. Alternatively, to mitigate the risk of claims or grievances from current Sector Members, it could apply to just future employers.
- 12.6. The Trustees require the approval of the Conference to alter eligibility criteria. However, without changing the eligibility criteria, they may be able to amend the Rules to make it clear that if a Member's employer contributions are not paid at the set rate then that member will be temporarily suspended from the Scheme. In such cases they would be able to re-enter the scheme upon taking up an appointment within the control of the Church. A number of ministers already do take this option in such circumstances. The Trustees therefore seek approval from the Conference to approach all Sector Employers to enter into contractual arrangements to contribute at the rate set by the MMPS rules and temporarily to suspend, or pro-rata, pensionable service for those Sector Members whose employers who do not contribute at the full rate set by the MMPS rules.

13. Recommendation of the Trustee

The Trustee is asking that the Council recommends to the Conference to agree to enter into contractual arrangements with all Sector Employers to contribute at the rate set by the MMPS rules and temporarily to suspend, or pro-rata, pensionable service for those Sector Members whose employers do not contribute at the full rate.

*****RESOLUTION:**

63/6. The Council recommends that the Conference agrees to enter into contractual arrangements with all Sector Employers to contribute at the rate set by the MMPS rules and temporarily to suspend, or pro-rata, pensionable service for those Sector Members whose employers do not contribute at the full rate.