

Methodist Ministers' Pension Scheme (MMPS) – Single Employer Status

Contact Name and Details	Matt Tattersall - Director of Finance and Resources tattersallm@methodistchurch.org.uk
Action Required	For discussion and approval
Resolutions	<p>4/1. The Council resolves that all current and former “sector” employers as defined under the Rules of the Methodist Ministers’ Pension Scheme, shall not be liable of any section 75 debt that has arisen or might arise in the future in respect of Methodist ministers or probationers who are or have been members of the scheme.</p> <p>4/2. The Council resolves that it shall fund any section 75 debts that arise from “sector” employment from the Pension Reserve Fund.</p> <p>4/3. The Council directs that the Rules of the Scheme be amended so that the scheme no longer admits or enables future accrual of pension benefits to ministers employed by “sector” employers and only ministers in Full Connexion or probationers in an appointment within the control of the Methodist Conference can be members of the Scheme.</p> <p>4/4. The Council appoints a working group, delegating authority to it to agree the detailed requirements with the Pension Trustees to bring effect to these resolutions as follows: the Connexional Secretary, the Assistant Secretary of the Conference, the Connexional Treasurer and the Director of Finance and Resources.</p>

Summary of Content

Subject and Aims	The paper highlights the implications of the Methodist Ministers’ Pension Scheme being open to ministers who are serving in appointments not in the control of the Methodist Church. It makes recommendations on how to resolve the situation.
Main Points	<ul style="list-style-type: none"> • How the MMPS has been open to ministers serving in appointments outside the control of the church • The consequences of being a multi-employer pension scheme • The issue of section 75 debts • Proposals to release associated bodies from their potential section 75 debts • A proposal to close the Scheme to ministers serving in appointments outside the control of the Methodist Church
Background Context and Relevant Documents	MMPS report to the Methodist Conference 2014 https://www.methodist.org.uk/downloads/conf-2014-27-methodist-ministers-pension-scheme.pdf
Consultations	MMPS Trustee Directors

Summary of Impact

Financial	<ul style="list-style-type: none"> • Potential fine from The Pension Regulator for failing to declare MMPS as a multi-employer scheme. • Financial impact of section 75 debts should ‘sector employers’ be deemed statutory employers for the purposes of the MMPS. • Loss of access to MMPS for ministers employed by ‘sector employers’.
Wider Connexional	Reputational damage

1. Background

- 1.1 Entrance eligibility for 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".
- 1.2 The status of sector employers under pension legislation is critical. If sector employers are deemed to be 'statutory employers' then MMPS would by default be regarded as a multi-employer scheme. In this scenario, each employer would become liable for deficits that may arise in MMPS, otherwise known as section 75 debts. Furthermore, the share of the deficit sector employers may be liable for would not necessarily be limited to their 'fair share' of the scheme.
- 1.3 There is also an added level of scrutiny and bureaucracy from the Pensions Regulator of multi-employer schemes given the need to protect the interests of members of such schemes.
- 1.4 A paper to the 2014 Conference set out plans to regularise the arrangements with the 'sector employers'. This included establishing simple contracts that stated the rate at which sector employers would contribute to MMPS and also clarify that they were not regarded as statutory employers. Hence the position was that the MMPS remained a sole employer scheme, not a multi-employer one.
- 1.5 These arrangements were considered by the MMPS Trustees but never enacted. No contracts are in place with the sector employers for their contributions to the scheme.
- 1.6 Over time, scrutiny from the Pensions Regulator concerning multi-employer schemes has increased. Recently, the Trustee has taken advice from a QC. Whilst the definition of an "employer" under pensions legislation is not well defined, on balance the advice is that many of the sector employers are likely to meet the definition and by implication the MMPS could be judged to be a multi-employer scheme.
- 1.7 The consequences of being judged as a multi-employer scheme would be significant and include: regulatory action and fine for the Pension Trustees for failure to comply with multi-employer scheme requirements; costs to the Methodist Church as the primary funder of the scheme; regulatory requirements for the sector employers and liability for section 75 debts; reputational damage to the Church, and potential withdrawal of access to MMPS by sector employers.

2. Proposed remedy

- 2.1 It is clear from the paper to the 2014 Conference that it was never the intention of the MMPS Trustee Board nor the Methodist Council that the Scheme become a multi-employer arrangement. By extension, this means it was not intended that sector employers be liable for any section 75 debts that may accrue in the pension scheme. The proposal was that they would be released from any future liabilities arising from a deficit in the scheme.
- 2.2 It is proposed that all current and previous sector employers are released from any MMPS section 75 debts and that the current practice of funding deficits through the Pension Reserve Fund (PRF) continue. It should be noted that this does not increase the financial burden on the PRF because it was always assumed that any debt would be borne fully by the PRF and not charged to sector employers.
- 2.3 In order to remove the risk of the MMPS becoming a multi-employer scheme, membership of the scheme must be limited to probationers, presbyters and deacons within the control of the Methodist Church. For the purposes of this paper, 'control of the Methodist Church' implies that the probationer, presbyter or deacon would be paid through the Payroll department at Methodist Church House, and

be paid a stipend at the rate recommended by the Connexional Allowances Committee. Therefore, all ministers employed by sector employers will have to cease their current membership of MMPS (all historic accrual will be preserved – but they will not be able to accrue further benefit in MMPS whilst employed outside the control of the Methodist Church).

- 2.4 It should be noted that there are some ministers contributing to MMPS without any contributions from a sector employer. Under the legislation, these ministers could be deemed to be their own statutory employer (ie self-employed) and would therefore be liable for a share of the pension scheme deficit. Under the proposed criteria outlined above, such ministers would also lose the ability to gain further accrual in the MMPS.
- 2.5 These new arrangements will impact some of the ministers currently working at the Queen's Foundation. Those recently appointed are serving in appointments within the control of the Church, so will retain their MMPS membership. However, those who have been there longer are effectively 'employed' by Queen's and will lose their access to MMPS. Given that the Church encourages appointments at Queen's, it is unfortunate that these ministers will be affected in this way. Discussions are underway with Queen's and the affected ministers with the hope that a transfer of their appointments back to the control of the Church can be achieved and that they can therefore retain their MMPS membership.
- 2.6 In relation to the other sector employers, it is proposed that notice will be given to them concerning their continued access to the MMPS. In turn, the employers will need to consult with the affected ministers. In conjunction with the MMPS Trustee, appropriate legal advice is being sought on the consultation process and documentation, and we will support the sector employers in this task.
- 2.7 Ministers in appointments outside the control of the Church and who find that this creates difficulties, should in the first instance speak to their District Chair who will be able, should it seem the best way forward, to work with the minister and the stationing processes to find an appropriate alternative appointment within the control of the Church.

*****RESOLUTIONS**

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- 4/2. The Council resolves that it shall fund any section 75 debts that arise from "sector" employment from the Pension Reserve Fund.**
- 4/3. The Council directs that the Rules of the Scheme be amended so that the scheme no longer admits or enables future accrual of pension benefits to ministers employed by "sector" employers and only ministers in Full Connexion or probationers in an appointment within the control of the Methodist Conference can be members of the Scheme.**
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