



# The Methodist Church

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Brothers and Sisters in Christ

## **Consultation on proposed changes to the Methodist Ministers' Pension Scheme (MMPS)**

The 2015 Conference considered the results of the valuation of the Methodist Ministers' Pension Scheme (MMPS) carried out as at 1 September 2014. This revealed an increase in the cost of purchasing future service benefits in the Scheme compared to the results of the previous valuation in 2011 although there was a reduction in the level of the shortfall to £40 million.

The contribution rate required to pay the benefits expected to accrue to members in future, based upon the current benefit structure, has increased by 4.2% of standard stipend. This is primarily due to the falling gilt yields and also increased longevity resulting in the pension, on average, being paid for a longer period of time. The effect of these changes means that it is now more expensive to purchase pension benefits. Since the 2014 actuarial valuation, market conditions have resulted in the funding level of the Scheme falling further and cost of providing future service benefits increasing further.

### **Considerations of the 2015 Conference**

The Conference considered the results of the valuation and agreed that there should be no increase in the overall Church contributions from 1 September 2015. As the cost of purchasing future service benefits had increased by 4.2% of standard stipend, and in order to maintain the Circuit contributions at the rate of 26.9% of standard stipend, the 2015 Conference directed that the shortfall contributions would fall from 14% to 9.8% of standard stipend.

The 2015 Conference directed that:

- The total Church contribution should remain unchanged at 26.9% of standard stipends (ie 17.1% future service contribution rate and 9.8% shortfall contributions).
- The member contribution rate should also remain unchanged at 9.3% of standard stipend.
- Fixed contributions of £1m per annum should continue to be paid from the Pension Reserve Fund for the length of the recovery plan, ie a further six years.

The issue of affordability of Church contributions for some circuits was considered during the valuation process. The Conference recognises the importance of continuing to provide a defined benefit pension scheme for ministers. It considered the balance between the long-term affordability of the scheme for the Church and the level of benefits that are provided.

The Conference agreed to consult with all scheme members throughout 2015/16 with a view to linking future increases to pensions in payment awarded in relation to both past and future service to the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). Due to the differences in how the indices work CPI is, on average, lower than RPI which would result in lower than expected increases in payments.

The proposed change would affect all active members, pensioners (including spouses and Civil Partners in receipt of pensions) and deferred members.

The effect on the shortfall revealed by the 2014 actuarial valuation if pension increases were linked to CPI rather than RPI would have been to reduce the shortfall from £40m to £15.8m, reducing the shortfall contributions to 4.3% of standard stipends (from 9.8%) and reducing the recovery period to three years. The effect on the total future service rate would have been to reduce it from 26.4% of standard stipends to 25.8% of standard stipends.

The Conference agreed that a consultation on any potential change should take place now, while the Church can control the timescales and have a full consultation without the outcome being driven by the needs of a valuation.

### **The proposal**

The attached consultation document contains a proposal on the changes to the MMPS as follows:

- Changing the index used to calculate pension increase from being linked to the Retail Prices Index to link it to the Consumer Prices Index for both past and future service.
- If the above proposal is agreed, to share any reduction in the contribution rate between the member and the Church in line with the current proportions (i.e. 75% of the reduction in the contribution rate applied to the Church's contribution rate and 25% of the reduction in the contribution rate applied to the members' contribution rate).
- Implement the change from 1 September 2016.

Please note that the proposal applies only to MMPS and not to any other scheme that you might belong to.

### **Commitment to clear communications**

I know that pensions can be confusing, but the staff in the Pensions Office are committed to helping each of us understand what the proposed changes mean. The consultation document includes examples of how the changes may affect you and some popular questions and answers. The Pensions Office are be happy to answer any questions you may have about your pension and how this proposed change may affect you.

### **Your views are important**

It is very important that you make your views on the proposed changes known. The consultation period will be at least 90 days so as to allow you to consider the proposals and submit any views you have.

Please send any questions on this matter, or submit your comments, or offer alternative suggestions to [pensionsconsultation@methodistchurch.org.uk](mailto:pensionsconsultation@methodistchurch.org.uk).

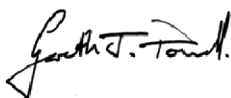
Alternatively you can write to:

Pensions Consultation, Methodist Church House, 25 Marylebone Road, London, NW1 5JR

### **Close of consultation and next steps**

The consultation will run until 5 February 2016 and we would value your views on the proposals. After the consultation has closed, the views expressed will be considered by the Methodist Council before the final proposal is presented to the Trustee Board and the 2016 Conference.

Yours sincerely



Gareth J Powell