

Pension & Assurance Scheme for Lay Employees of the Methodist Church

Strictly Private & Confidential

Assure (UK) Limited
107 Cheapside
London
EC2V 6DN

For the attention of Gareth Burton

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of Pension & Assurance Scheme for Lay Employees of the Methodist Church ('the Scheme') for the year ended 31 August 2023 for the purpose of expressing an opinion as to whether the financial statements show a true and fair view of the Scheme's financial transactions during the year then ended and of the amount and disposition at the Scheme year end of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the Scheme year, in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and making a statement about contributions.

We confirm to the best of our knowledge and belief, the following representations:

Financial statements

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice which show a true and fair view, as set out in the terms of the audit engagement letter.
2. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
3. We confirm the completeness of the information provided regarding the identification of related parties, related party transactions of which we are aware and the adequacy of related party disclosures in the financial statements. We have made enquiries of any key managers or other individuals who are in a position to influence or who are accountable for the stewardship of the Scheme and confirm that we have disclosed in the financial statements all transactions relevant to the Scheme and confirm that we are not aware of any other such matters required to be disclosed in the financial statements, whether under Financial Reports of Pension Schemes – Statement of Recommended Practice (2018).
4. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of, or disclosure, have been adjusted or disclosed.
5. There were no uncorrected misstatements or disclosure deficiencies.
6. We confirm that the financial statements have been prepared on the going concern basis. We do not intend to wind up the Scheme. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Scheme's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.

Information provided

7. We have provided you with:
 - (i) Access to all information of which we are aware that is relevant to the preparation of the financial statements such as minutes, documentation and other matters;
 - (ii) Additional information that you have requested from us for the purpose of the audit; and
 - (iii) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
8. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.
9. We acknowledge our responsibilities for the design, implementation and maintenance of internal controls to prevent and detect fraud and error.
10. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
11. We are not aware of any fraud or suspected fraud that affects the entity and involves:
 - (i) Management;
 - (ii) Employees who have significant roles in internal control; or
 - (iii) Others where the fraud could have a material effect on the financial statements.
12. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
13. We are not aware of any instances of non-compliance, or suspected non-compliance, with laws, regulations and contractual agreements whose effects should be considered when preparing financial statements.
14. No claims in connection with litigation have been or are expected to be received.
15. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
16. We confirm that the Scheme is a Registered Pension Scheme. We are not aware of any reason why the tax status of the Scheme should change.
17. We have not made any reports to The Pensions Regulator nor are we aware of any such reports having been made by any of our advisors. We confirm that we are not aware of any late contributions or breaches of the Scheme Rules, recommendations of the Actuary and Schedule of Contributions that have arisen which we considered did not require reporting. We also confirm that we are not aware of any other matters which have arisen that would require a report to The Pensions Regulator.
18. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Scheme year or subsequently concerning matters of non-compliance with any legal duty.
19. We have not commissioned advisory reports which may affect the conduct of your work in relation to the Scheme's financial statements.
20. We confirm that, under Section 27 of the Pensions Act 1995, no trustee of the Scheme is connected with, or is an associate of Assure (UK) Limited which would render Assure (UK) Limited ineligible to act as auditor to the Scheme.

21. There have been no changes to the Scheme Deed and Rules during the period and up to the current date.
22. There has been no 'self-investment' in a Scheme employer or stock-lending.
23. No transactions have been made that are not in the interests of the Scheme members or the Scheme during the Scheme year or subsequently.
24. The Scheme has satisfactory title to all assets and there are no liens or encumbrances on the assets except for those disclosed in the financial statements.
25. We confirm that the accounting policies adopted for the preparation of the financial statements are the most appropriate to the circumstances in which the scheme operates.
26. We confirm that the information that is contained within the Scheme's Annual Report and Accounts for the year ended 31 August 2023 is complete, accurate and consistent with the information provided.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

RA Hubbard

On behalf of the Trustee on^{11/01/2024}.....

Report & Financial Statements

For the year ended 31 August 2023

Pension & Assurance Scheme for Lay Employees of the Methodist Church

Pension Scheme Registry No: 10141231

**PENSION & ASSURANCE SCHEME FOR LAY EMPLOYEES OF
THE METHODIST CHURCH**

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PENSION & ASSURANCE SCHEME FOR LAY EMPLOYEES OF THE METHODIST CHURCH

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 AUGUST 2023

THE TRUSTEE

The Trustee submits the report and audited financial statements of the Pension & Assurance Scheme for Lay Employees of the Methodist Church ("the Scheme") for the year ended 31 August 2023.

The Trustee of the Scheme is the Methodist Lay Employees' Pension Trust Limited ("the Trustee Company") which was formed in 1997 for the sole purpose of providing trustee services to the Scheme. The power of appointing and removing the Trustee is vested in the Methodist Council.

The Trustee Board of the Scheme ("the Board") noted that there are certain matters which are of common interest both to themselves and to the Trustee Board of the Methodist Ministers' Pension Scheme ("MMPS") and that there are some common members of the two Trustee Boards. In order to facilitate the effective management of the Trustee Boards it has been resolved that the two Trustee Boards align discussions of any such joint matters as the Board and the MMPS Board jointly agree. It was further resolved that, from September 2019, any joint matters being discussed in their proceedings should consider each scheme independently and be recorded in the minutes for each Board.

There are eight directors of the Trustee Company appointed in accordance with Articles of Association. The Directors generally meet on a quarterly basis to consider the management of the Scheme and more often if Scheme activity requires. There are five Employer-Nominated Directors recommended to the Conference by the Methodist Council. One of the Directors is an Independent Trustee, namely Capital Cranfield Pension Trustees Ltd, represented by Mr Richard Hubbard. There are three Member-Nominated Directors who serve for three years, all of whom retire at the end of their term but may stand for re-election. However, Mr David Fletcher retired before the end of his three year term, on 31 March 2023 and was replaced by Mrs Evguenia Kotchinka from September 2023. Mr Martin Tingle and Mr Pete Harris were appointed to serve for three years from September 2022.

**PENSION & ASSURANCE SCHEME FOR LAY EMPLOYEES OF
THE METHODIST CHURCH**

TRUSTEE'S REPORT (continued)

TRUSTEE DIRECTORS AND ADVISERS TO THE SCHEME

Employer Nominated Directors

Ms Anne M Fairchild*
Mr Pete Harris (appointed 08/09/2022)
Mr Richard Hubbard (Chair)* - Representative of
Capital Cranfield Pension Trustees Limited
Mr Fred King
Mr Martin Tingle (appointed 08/09/2022)

Member Nominated Directors

Mr Christophe Borysiewicz
Mr David Fletcher (retired 31/03/2023)
Mr William Seddon*
Mrs Evguenia Kotchkina (appointed 29/09/2023)

** Member of the Joint Investment Committee*

Secretary to the Trustee / Pensions Manager

Mrs Meena Tooray (resigned 20/08/2023)

Actuary

Ms Debra Smith FIA

Actuarial Consultant

BWCI Consulting Limited

Auditor

Assure UK

Banker

HSBC Bank plc

Investment Consultant

Lane Clark & Peacock LLP

Investment Managers

Epworth Investment Management Limited
Columbia Threadneedle Investments (previously
Threadneedle Property Unit Trust) – until
19/04/2023
Schroder Real Estate Managers (Jersey) Limited –
until 19/04/2023
Columbia Threadneedle Investments (previously
BMO Global Asset Management)
AXA Investment Managers

Legal Advisers

Burges Salmon LLP
Pothecary Witham Weld

AVC Manager

Aegon

Annuity provider

Legal & General Retail Retirement Income

PENSION & ASSURANCE SCHEME FOR LAY EMPLOYEES OF THE METHODIST CHURCH

TRUSTEE'S REPORT (continued)

SPONSORING AND PARTICIPATING EMPLOYERS

The principal sponsoring employer for the Scheme is the Methodist Council. The Methodist Council is situated at Methodist Church House, 25 Tavistock Place, London, WC1H 9SF.

The participating employers are the Committee of Cliff College, the Guy Chester Centre, the Methodist Ministers' Housing Society, the Methodist Relief and Development Fund (All We Can), the Central Finance Board of the Methodist Church, the Trustees for Methodist Church Purposes, Central Hall Westminster Ltd and Wesley House, Cambridge.

CONTACT FOR ENQUIRIES

The Scheme's administration is carried out by the Pensions team of the Methodist Church. Any enquiries either about the Scheme generally or about a member's entitlement to benefits should be addressed to the Pensions Manager at Methodist Church House, 25 Tavistock Place, London, WC1H 9SF, or emailed to pensionshelp@methodistchurch.org.uk

SCHEME CONSTITUTION AND MANAGEMENT

The Scheme is an occupational pension scheme set up under trust to provide retirement benefits of a defined benefit nature for lay employees of the Methodist Church. The Scheme was established by an interim deed dated 1 September 1960 and, since 31 August 2015, has been governed by the Fifth Definitive Deed and Rules together with subsequent amendments. A Deed of Amendment dated 23 May 2019 closed the Scheme to new entrants and future accrual with effect from 1 June 2019. The Articles of Association were revised on 5 October 2021 and matters referring to historical trustee appointments from 1 June 2019 were unconditionally ratified in all aspects and purposes by a Special Resolution passed on 6 October 2021.

The Scheme is a registered scheme in accordance with section 153 of the Finance Act 2004. The Trustee knows of no reason why this registration may be prejudiced or withdrawn.

Responsibility for setting the investment strategy and for managing the Scheme rests with the Trustee. The persons who acted as directors to the Trustee Company during the year are listed on page 2. The Directors meet quarterly and decisions are passed on a simple majority of those voting.

The Trustee, in conjunction with the MMPS Trustee, has set up a Joint Investment Committee to consider fully the investment issues which affect both Schemes and which reports back to the Trustee Board. The Joint Investment Committee meets at least once a quarter.

PENSION & ASSURANCE SCHEME FOR LAY EMPLOYEES OF THE METHODIST CHURCH

TRUSTEE'S REPORT (continued)

FINANCIAL STATEMENTS AND DEVELOPMENTS OF THE SCHEME

The annual financial statements and notes to the financial statements are set out on pages 22 to 34. The financial statements have been prepared and audited in accordance with the regulations made under Sections 41(1) and (6) of the Pensions Act 1995.

As a result of net deductions from the Scheme from dealings with members of £282,178 (2022: net additions of £1,742,441), and a net loss on investments of £12,550,595: (2022: net loss of £27,121,489). The Scheme now has a value of £57,234,405 (2022: £70,067,178).

MEMBERSHIP AND BENEFITS

Membership

As at 31 August 2023 there were 667 members of the Scheme. These can be broken down as follows:

	Closure Members	Deferred Members	Pensioner Members
As at 31/08/2022	123	290	277
Leavers – notified late*	(5)	-	(4)
New Pensioner incorrectly included	-	3	-
Restated at 01/09/2022	118	293	273
Retired	(1)	(10)	11
Closure to deferred	(12)	12	-
Deceased	-	-	(7)
New dependants	-	-	5
As at 31/08/2023	105	295	282

* notified / processed after year end

Prior to 1 August 1998 the Trustee purchased annuities for members on their retirement with Legal & General Assurance Society Limited. The annuity policies match the pension benefit provided by the Scheme. There are 19 annuitants (2022:21), which have been included in the table above.

PENSION & ASSURANCE SCHEME FOR LAY EMPLOYEES OF THE METHODIST CHURCH

TRUSTEE'S REPORT (continued)

Pension increases

The Trust Deed and Rules of the Scheme provide for increases to pensions in payment to take account of inflation, subject to a cap of:

- 5% pa for pensions accrued before 6 April 2005*
- 2.5% pa for pensions accrued from 6 April 2005

*Members who joined the Scheme before 1 December 1997 receive increases at the fixed rate of 5% pa on the part of their pension that relates to service before 1 September 1998.

There is no history of discretionary increases and over the last three years, pension increases have been paid within the limits stated above.

Pension increases are effective from 1 September each year and are considered in conjunction with the July Retail Prices Index. The increases applied as at 1 September 2023 were as follows:

Pensions in relation to service	Increase awarded
Prior to 1 September 1998 for those members joining before 1 December 1997	5.0% (2022: 5.0%)
Prior to 6 April 2005	5.0 % (2022: 5.0%)
From 6 April 2005	2.5 % (2022: 2.5%)

Deferred pension increases

The Scheme provides guaranteed increases of not less than the revaluation percentage specified by the Secretary of State in accordance with paragraph 2(1) of Schedule 3 to the Pension Schemes Act 1993 applicable over the period from the date on which the member left pensionable service up to Normal Pension Date. The Trustee agreed in March 2011 that the index used to determine the revaluation percentage is linked to the Consumer Price Index ("CPI") and therefore, statutory increases were awarded to deferred pensions over the year to 31 August 2023.

Transfers out of the Scheme

Transfer values paid during the year in respect of transfers to other pension schemes were cash equivalents calculated and paid in the manner prescribed by the Scheme Actuary in accordance with the Pensions Schemes Act 1993. The Trustee, with the advice of the Actuary, has decided to make no allowance for discretionary pension increases in the calculation of transfer values because such increases are unlikely to be awarded, given the funding position of the Scheme. No transfers were reduced to less than their cash equivalent value.

Going concern

The Russia/Ukraine war and recent economic volatility has caused disruption to economic activity and fluctuations in global stock markets over the year. The Trustee has designed and implemented the Scheme's

PENSION & ASSURANCE SCHEME FOR LAY EMPLOYEES OF THE METHODIST CHURCH

TRUSTEE'S REPORT (continued)

investment strategy taking a long-term view and has built in resilience to withstand short-term fluctuations in the valuation of Scheme assets.

The Trustee actively monitors both the financial security of the Scheme and the suitability of the investment strategy and will continue to do so.

The Trustee is not aware of any immediate plans to wind up the Scheme and it confirms that, to the best of its knowledge, the Scheme will be continuing for at least 12 months from the date of signing this Report and it is therefore appropriate that the financial statements have been prepared on an 'on-going' basis.

REPORT ON ACTUARIAL LIABILITIES

Under section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions, which represent the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed at least every 3 years using assumptions agreed between the Trustee and the participating employers and set out in the Statement of Funding Principles, a copy of which is available to Scheme members on request.

The latest full actuarial valuation of the Scheme was carried out as at 1 September 2020. This revealed a shortfall of the assets relative to the technical provisions (i.e. accrued liabilities) of £16,677,000. In accordance with statutory requirements, the Trustee received an actuarial report which provided an update of the funding position as at 1 September 2022. The results are summarised in the table below:

Date	Actuarial valuation as at 01/09/2020	Actuarial update as at 01/09/2022
Value of technical provisions* (£'000)	93,837	65,673
Assets available to meet technical provisions (£'000)	77,160	66,815
Assets as a percentage of technical provisions	82.2%	101.7%
Surplus/Shortfall (£'000)	(16,677)	1,142

**This is the Scheme's quoted technical provisions (which excluded the value of the assets and liabilities covered by the Legal & General annuity policies).*

The value of the technical provisions is based on pensionable service to 31 May 2019 (or earlier leaving service) and assumptions about various factors that will influence the Scheme in the future, such as the levels of investment returns and salary and pension increases, when members will retire and how long members will live.

PENSION & ASSURANCE SCHEME FOR LAY EMPLOYEES OF THE METHODIST CHURCH

REPORT ON ACTUARIAL LIABILITIES (continued)

The method and significant actuarial assumptions used in the calculations are as follows:

Method

The actuarial method used in the calculation of the technical provisions is the Projected Unit Method.

Significant actuarial assumptions as at 1 September 2020

The derivation of the significant assumptions is summarised below and remains the same as for the 1 September 2020 actuarial valuation and the 1 September 2022 actuarial update. Full details are set out in the Statement of Funding Principles that was agreed for the 1 September 2020 valuation.

Discount interest rate:	Bank of England gilt curve plus 1.3% pa for 12 years and plus 0.5% pa thereafter
Future Retail Price Inflation (RPI):	Equal to the Bank of England RPI inflation curve
Future Consumer Price Inflation (CPI):	0.75% pa below the RPI assumption up until 2030, equal to the RPI assumption thereafter
Pensionable earnings increases:	Equal to CPI assumption plus an age-related promotional scale
Pension increases:	As guaranteed in the Rules, based on RPI increases, with some pensions receiving fixed 5% increases
Mortality:	For the period in retirement, standard SAPS S3 series light tables with a scaling factor of 100%, together with allowance for future improvements in line with CMI_2019 Core Projections with an initial addition to CMI improvements of 0.25% and incorporating an annual long term rate of improvement in mortality rates of 1.5% pa
Commutation:	An allowance for members to commute 10% of their pensions for a lump sum
Expenses:	A reserve covering the expected cost of the expenses of running the Scheme over the period until 31 August 2026.

The calculations of the technical provisions as at 1 September 2020 and at the subsequent actuarial update reflect the Bank of England gilt curve and RPI inflation curve as at the respective valuation dates.

PENSION & ASSURANCE SCHEME FOR LAY EMPLOYEES OF THE METHODIST CHURCH

REPORT ON ACTUARIAL LIABILITIES (continued)

Recovery plan

As part of the 2020 actuarial valuation, a recovery plan was agreed between the Trustee and the participating employers whereby it was agreed that the shortfall revealed as at 1 September 2020 should be eliminated by contributions to be paid from the Pension Reserve Fund¹ to the Scheme as follows:

- core contribution of £2,380,000 per annum will be paid to the Scheme each August, starting August 2021² up to and including August 2026; and
- conditional contributions of between £0 and £529,000 will be paid to the Scheme each December, starting December 2021 up to and including December 2026. The precise amount payable will be determined by the Scheme Actuary having regard to Scheme experience.

These arrangements were formalised in a schedule of contributions which the Scheme Actuary certified on 29 November 2021. A copy of this certificate is included on page 35 of this annual report. On 30 November 2021 the Scheme's valuation results were submitted to the Pensions Regulator and on 17 January 2022 the Pensions Regulator confirmed receipt of the Scheme's valuation submission and did not have any further questions in respect of the valuation.

The Trustee and the Methodist Council have also agreed a secondary Long Term Funding Objective for the Scheme. Under this agreement, if the Scheme's Long Term Funding Objective funding level falls below 90% then a remedy payment schedule will be put in place (in addition to any recovery plan contributions). The remedy payment schedule will be designed to eliminate any Long Term Funding Objective shortfall over a period of three years but remedy payments will be capped at £15m pa across both the Scheme and the Methodist Ministers' Pension Scheme and will cease once the Scheme's Long Term Funding Objective funding level reaches 90%. Full details are set out in a Framework Agreement between the Trustee and the Methodist Council.

To support the Scheme's funding and investment strategy, the Methodist Council has charged properties valued in aggregate at £685,000. Under the Framework Agreement dated 29 April 2022 the Trustee has a right to call on the charge should the Methodist Council default on a Conditional Contribution under the Scheme's Recovery Plan or a remedy payment that falls due following a Long Term Funding Objective assessment. The Trustee also has a right to call on the charge should an insolvency event occur.

¹ *The Pension Reserve Fund was set up following a 2009 Conference decision to establish a reserve outside of the Scheme, which can be used to meet funding needs and other pension related costs. The Trustee of the Scheme considers that the Pension Reserve Fund overall strengthens the Church's financial covenant to the Scheme.*

² *in practice, due to the timing of the signing of the revised recovery plan, the core contribution of £650,000 under the 2018 recovery plan was paid in August 2021, and the difference between this and the revised core contribution amount (ie £2,380,000 - £650,000 = £1,730,000) was paid in December 2021. No conditional contribution was required in December 2021 or in December 2022.*

PENSION & ASSURANCE SCHEME FOR LAY EMPLOYEES OF THE METHODIST CHURCH

REPORT ON ACTUARIAL LIABILITIES (continued)

In addition, the Methodist Council has created a restricted fund, the “Lay Scheme Property Fund”, within the Pension Reserve Fund. This was assigned £415,000 from the main Pension Reserve Fund assets and thereafter will hold the proceeds of any sales of charged properties. This sub-fund of the Pension Reserve Fund will have restricted use as detailed in the Framework Agreement dated 29 April 2022.

Next Actuarial Valuation

The next triennial valuation is being performed as at 1 September 2023. The Trustee expects to review the initial results during the first half of 2024, following which the calculation of the Scheme’s technical provisions and any required Recovery Plan will be agreed by the statutory deadline of 1 December 2024.

Further details

The Trustee of the Scheme produced Summary Funding Statements based on the 2022 actuarial update. Copies of the Scheme Actuary’s 2022 actuarial report, and the accompanying Summary Funding Statements are available on request from the contact for enquiries on page 2.

INVESTMENT MANAGEMENT

The overall management of the Trustee’s investments is the responsibility of the Trustee. However, the day-to-day management of the Scheme's asset portfolio is the responsibility of the investment managers, who operate within the guidelines of their specific mandates.

Over the year under review, the investments of the Pension and Assurance Scheme for Lay Employees of the Methodist Church (the “Scheme”) were managed by Epworth Investment Management Limited (“Epworth”) (investing in funds managed by the Central Finance Board of the Methodist Church (“CFB”)), Mayfair Capital (“Mayfair”), Schroder Real Estate Managers (Jersey) Limited (“Schroder”), Columbia Threadneedle Investments (“CTI”), and AXA Investment Managers (“AXA”).

Statement of Investment Principles

In accordance with section 35 of the Pensions Act 1995, a Statement of Investment Principles (“SIP”) has been produced by the Trustee following consultation with the Employer. The main purpose of the SIP is to set out details of the investment strategy that is to be followed, the Trustee's investment objectives and its attitude to risk. The SIP was reviewed and updated in July 2023. The Trustee reviews the SIP at least once every three years, and after any significant change in investment strategy. The Employer, the appointed Investment Consultant, and the appointed Scheme Actuary are consulted during the review. A copy of the latest SIP is available online at the following address <https://www.methodist.org.uk/media/31126/paslemc-sip-signed-25072023.pdf>.

Custody of assets

The underlying assets are held by custodians who have agreements with the investment manager of the assets. There is no direct relationship between the investment managers’ custodians and the Trustee.

PENSION & ASSURANCE SCHEME FOR LAY EMPLOYEES OF THE METHODIST CHURCH

INVESTMENT MANAGEMENT (continued)

Departures from the SIP

There were no material departures from the Scheme SIP over the year and any changes to investment strategy have been reflected in an updated version of the Scheme SIP within a reasonable timeframe.

Investment strategy

The broad investment objectives are agreed by the Trustee, having consulted with the Employer. Within the context of these risk and return objectives, the Trustee, taking advice from the Scheme's investment consultants, decides on the overall allocation of assets between the various asset classes, and selects the appropriate managers within each asset class.

Asset class	Strategic allocation (%)
Corporate bonds	45.0%
Liability Driven Investments ("LDI") and Cash	55.0%
Total	100.0%

The Trustee has over recent years implemented a de-risking strategy based on a system of triggers. This has broadly involved increasing the allocation to matching assets (corporate bonds, LDI and cash) and decreasing the allocation to return seeking assets if certain trigger thresholds are met. The Scheme's funding position has improved sufficiently over recent periods that it has reached the endpoint of the de-risking strategy – fully disinvesting from growth assets earlier this year.

Material strategic changes to the investments during the year ended 31 August 2023 are set out below:

- In August 2022, the Trustee agreed to make a full disinvestment from the Scheme's Mayfair Capital Property Unit Trust holdings as part of its wider de-risking framework. The date of full redemption was 31 March 2023.
- Following a further improvement in the Scheme's funding position, the Trustee agreed in November 2022 to divest the Scheme's remaining property holdings in the Threadneedle Property Unit Trust. The date of full redemption was 31 March 2023. The Scheme's property disinvestment proceeds (from both Mayfair Capital and CTI) were later invested in the Sterling Liquidity Fund with CTI in April 2023.
- In December 2022, a partial disinvestment was made from the Epworth equities, with proceeds being invested in the Scheme's LDI holdings with CTI. This was implemented to increase the Scheme's hedging levels towards 100% on a gilts + 0.25% basis.
- In February 2023, the Scheme fully redeemed its remaining equity holdings with Epworth as part of its de-risking strategy.

Though it did not represent a strategic change to the portfolio, the Scheme also implemented a series of transfers in late September and early October 2022 to manage leverage within its LDI portfolio with CTI. The Methodist Council also brought forward a deficit recovery plan contribution (due to be paid in August 2023) for payment in October 2022 to provide additional support. The volatility in the UK gilt market and challenges

PENSION & ASSURANCE SCHEME FOR LAY EMPLOYEES OF THE METHODIST CHURCH

INVESTMENT MANAGEMENT (continued)

faced by some UK pension schemes in maintaining their hedging positions were well documented, however the Scheme was able to maintain its intended hedge throughout the period.

Investment performance

The performance of the investment managers is reviewed periodically at the Trustee's meetings.

Fund	One year (%)		Three years (% pa)	
	Fund	Benchmark	Fund	Benchmark
AXA - Bespoke B&M Fund	8.1	7.5	-	-
CTI Real Dynamic LDI Fund	(80.3)	(83.6)	(58.8)	(60.7)
CTI Nominal Dynamic LDI Fund	(58.7)	(60.9)	(66.4)	(66.0)
CTI Sterling Liquidity Fund	3.9	4.1	-	-
CFB Deposit Fund	3.8	4.1	1.5	1.6
Scheme	(22.9)	(24.5)	(16.7)	(15.6)

Source: Investment managers. LCP calculations.

Trustee's policies in relation to voting rights

The Trustee has examined how rights, including voting rights, attached to investments should be exercised. The Trustee recognises its responsibilities as an owner of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value investments. The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations.

The Trustee does not generally monitor or engage directly with issuers or other holders of debt or equity. It expects the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustee from time to time, considering the long-term financial interests of the beneficiaries. The Trustee understands these reflect the recommendations of the UK Stewardship Code issued by the Financial Reporting Council. The Trustee is supportive of the recommendations made by the UK Stewardship Code.

The Trustee cannot usually directly influence the policies of the Scheme's investment managers however it will engage with them and raise concerns where appropriate.

PENSION & ASSURANCE SCHEME FOR LAY EMPLOYEES OF THE METHODIST CHURCH

INVESTMENT MANAGEMENT (continued)

The Trustee has selected some priority ESG themes to provide a focus for its monitoring of investment managers' voting and engagement activities. The Trustee reviews the themes regularly and updates them if appropriate. The Trustee communicates these stewardship priorities to its managers, details them within its Responsible Investment Policy document, and also outlines its more general expectations in relation to ESG factors, voting and engagement.

If its monitoring identifies areas of concern, the Trustee will engage with the relevant manager to encourage improvements. The Trustee will set objectives and target dates for each formal engagement, review progress, and have an escalation process which it will follow if progress is unsatisfactory.

Trustee's policies on environmental, social and governance and ethical factors

The Trustee has considered how environmental, social, governance ("ESG") and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Scheme and its members. The Trustee recognises that it has an important influence on the Scheme's approach to ESG, ethics, and other financially material considerations through its investment strategy and manager selection decisions. The Trustee has formulated a Responsible Investment Policy which describes its approach in this area in more detail. The Trustee believes that this Policy is consistent with the views of members and will not be financially detrimental to the Scheme.

The Trustee expects its investment managers to take account of financially material considerations (including climate change and other ESG considerations) as an integral part of their investment processes. The Trustee seeks to appoint managers that have appropriate skills and processes to do this, and regularly reviews how its managers are taking account of these issues in practice.

The Trustee also takes into account some non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, in addition to considerations of financial risk and return) in the selection, retention and realisation of investments.

Responsibility for the selection of individual assets is delegated to the Scheme's investment managers and the Trustee accepts that it may not be possible to find investment funds for all asset classes which take into account all factors which the Trustee considers important, or which exclude all investments which the Trustee would prefer to avoid. In this situation the Trustee adopts a pragmatic approach, seeking to find investment funds in which the allocations to such holdings are not material – with analysis being conducted before any new investment. The Trustee has limited influence over managers' investment practices in this area, other than Epworth, but it encourages its managers to improve their practices where appropriate.

The Trustee believes that Scheme members would support action in respect of these factors and does not expect taking account of these factors to pose a risk of material financial detriment to the assets of the Scheme. Where exposure is deemed material, assets exposed to the following factors are considered strong grounds for exclusion from investment::

- Nuclear weapons
- Cluster munitions

Where exposure is deemed material, the following factors are considered strong grounds for exclusion from investment.

PENSION & ASSURANCE SCHEME FOR LAY EMPLOYEES OF THE METHODIST CHURCH

INVESTMENT MANAGEMENT (continued)

- Alcohol
- Tobacco
- Gambling
- Pornography
- Arms and firms supplying military and security services

Where adverse exposure is material, the following factors are considered grounds for engagement and possible exclusion:

- Human rights (including caste discrimination)
- Children's issues
- Farm animal welfare
- Health and nutrition within the food and beverages industry
- Prison management
- Violence in media
- Issues related to Israel and Palestine

Trustee's policy on the implementation of asset manager arrangements

Before investing in any manner, the Trustee obtains and considers proper written advice from its investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

During the retention of any investment, the Trustee regularly considers at what intervals the circumstances and nature of the investment make it desirable to obtain such advice from its investment adviser and obtains and considers such advice accordingly.

The Trustee has signed agreements with the investment managers setting out in detail the terms on which the portfolios are to be managed. The investment managers' primary role is the day-to-day investment management of the Scheme's investments. The managers are authorised under the Financial Services and Markets Act 2000 (as amended) to carry out such activities.

The Trustee has limited influence over managers' investment practices because all of the Scheme's assets are held in pooled funds, but it encourages its managers to improve their practices within the parameters of the fund or mandate they are managing.

The Trustee's view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions of the fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustee's responsibility to ensure that the managers' investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustee expects investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance (or where this is not appropriate to explain why). It assesses this when selecting and monitoring managers.

PENSION & ASSURANCE SCHEME FOR LAY EMPLOYEES OF THE METHODIST CHURCH

INVESTMENT MANAGEMENT (continued)

The Trustee evaluates investment manager performance by considering performance over both shorter and longer-term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. Generally, the Trustee would be unlikely to terminate a mandate on short-term performance grounds alone. If a manager is not meeting its performance objectives the Trustee will consider alternative arrangements.

The Trustee's policy is to evaluate each of its investment managers by reference to the manager's individual performance as well as the role it plays in helping the Scheme meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers. The Trustee expects its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme's investment mandates.

Transaction costs

The Trustee is aware that indirect transaction costs will be incurred through the bid-offer spread on investments within the Scheme's pooled investment vehicles and charges made within those vehicles.

Other investments

The Scheme's money purchase AVC investments are invested with Aegon Investment Solutions Limited ("Aegon"). Aegon offer a range of funds for members to choose from.

PENSION & ASSURANCE SCHEME FOR LAY EMPLOYEES OF THE METHODIST CHURCH

SCHEME GOVERNANCE

Scheme governance is a key priority for the Trustee Directors who operate practices and procedures to ensure that they meet their statutory duties. The Trustee considers the guidance as laid down by the Pensions Regulator when establishing and developing the governance arrangements. A summary of the main governance arrangements is detailed below.

Business plan

The Trustee has established a Business Plan which outlines the expected tasks that require completion during the year and at which meeting the items will be discussed. The Trustee receives a copy of the current Business Plan at every Trustee Board meeting.

Trustee meetings

There were four meetings of the Trustee Board for the Scheme and four meetings of the Joint Investment Committee. Over the Scheme year to 31 August 2023, attendance by the Trustee Directors at the Board meetings was 72% (2022: 88%).

Risk management

The Trustee maintains a Risk Register which identifies the key risks faced and prioritises them on a combination of potential impact and likelihood of occurrence in line with the guidance issued by the Pensions Regulator. The Risk Register includes a record of the key controls in place and action that could be taken to mitigate the risks identified. The Risk Register is reviewed annually in line with the Business Plan, and at each Trustee meeting during the year.

Conflicts of interest policy

The Trustee maintains a policy for managing potential conflicts of interest. Any conflict identified is recorded in the minutes of the Trustee meeting. The Scheme Secretary also maintains a register of the Trustee Directors' interests.

Employers' covenants

The Trustee considers the strength of the employer covenant on an ongoing basis. For the most recent assessment, which was completed in the run up to the 2020 actuarial valuation, the Trustee commissioned an external adviser, PricewaterhouseCoopers LLP ("PwC"), to undertake the covenant review. The PwC review concluded that the overall strength of the employer covenant available to the Scheme was 'Tending to Strong'. Following that review a Framework Agreement was entered into (see the section 'Report on Actuarial Liabilities') on 29 April 2022 to improve the strength of the covenant support for the Scheme. The Trustee will be formally reviewing the covenant strength for the purpose of the 2023 actuarial valuation.

**PENSION & ASSURANCE SCHEME FOR LAY EMPLOYEES OF
THE METHODIST CHURCH**

SUMMARY OF CONTRIBUTIONS PAYABLE FOR THE YEAR ENDED 31 AUGUST 2023

During the year ended 31 August 2023, the contributions payable to the Scheme by the participating employers were as follows:

	£
CONTRIBUTIONS PAYABLE UNDER THE SCHEDULE OF CONTRIBUTIONS	
Employer deficit contributions	2,380,000
	<hr/>
Total contributions payable under the schedule of contributions	2,380,000
	<hr/>
Employer additional contributions	4,000
	<hr/>
TOTAL CONTRIBUTIONS REPORTED IN THE FINANCIAL STATEMENTS	2,384,000
	<hr/> <hr/>

PENSION & ASSURANCE SCHEME FOR LAY EMPLOYEES OF THE METHODIST CHURCH

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102) are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of that year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

The Trustee is also responsible for making available certain other information about the Scheme in the form of an Annual Report.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing, and if necessary revising, a schedule of contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

This report was approved by the Trustee on 11/01/2024

and signed on its behalf by:

Richard Hubbard

Richard Hubbard
Representing Capital Cranfield Pension Trustees Ltd

Chair of Trustee Board

PENSION & ASSURANCE SCHEME FOR LAY EMPLOYEES OF THE METHODIST CHURCH

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE PENSION & ASSURANCE SCHEME FOR LAY EMPLOYEES OF THE METHODIST CHURCH

Opinion

We have audited the financial statements of the Pension & Assurance Scheme for Lay Employees of the Methodist Church ('the Scheme') for the year ended 31 August 2023 which comprise the Fund Account, the Statement of Net Assets and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the Pension & Assurance Scheme for Lay Employees of the Methodist Church financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 August 2023, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustee with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon and our auditor's statement about contributions. The Trustee is responsible for the other information contained within the annual report.

PENSION & ASSURANCE SCHEME FOR LAY EMPLOYEES OF THE METHODIST CHURCH

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE PENSION & ASSURANCE SCHEME FOR LAY EMPLOYEES OF THE METHODIST CHURCH (continued)

Other information (continued)

Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Trustee

As explained more fully in the Statement of Trustee's Responsibilities set out on page 17, the Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee intends to wind up the Scheme, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Capability of the audit in detecting irregularities, including fraud irregularities

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

Based on our discussions with the Trustee, we considered the laws and regulations that have a direct impact on the preparation of the financial statements such as Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995.

During the engagement team briefing, the outcomes of these discussions and enquiries were shared with the team, as well as consideration as to where and how fraud may occur in the entity. The engagement team remained alert to non-compliance throughout the audit from planning to completion.

PENSION & ASSURANCE SCHEME FOR LAY EMPLOYEES OF THE METHODIST CHURCH

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE PENSION & ASSURANCE SCHEME FOR LAY EMPLOYEES OF THE METHODIST CHURCH (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

Audit procedures undertaken in response to the potential risks relating to irregularities (which include fraud and non-compliance with laws and regulations) comprised of:

- enquiries of management and the Trustee as to whether the entity complies with such laws and regulations;
- enquiries with the same concerning any actual or potential litigation or claims and whether they have knowledge of any actual, suspected or alleged fraud;
- inspection of relevant legal correspondence;
- review of Trustee meeting minutes;
- testing the appropriateness of journal entries; and
- the performance of analytical review to identify unexpected movements in account balances which may be indicative of fraud.

No instances of material non-compliance were identified. However, the likelihood of detecting irregularities, including fraud, is limited by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error. As explained above, there is an unavoidable risk that material misstatements may not be detected, even though the audit has been planned and performed in accordance with ISAs (UK).

We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of the audit report

This report is made solely to the Scheme's Trustee, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee, as a body, for our audit work, for this report, or for the opinions we have formed.

Assure UK

Assure UK
Chartered Accountants and Statutory Auditor
London

Date: 11/01/2024

PENSION & ASSURANCE SCHEME FOR LAY EMPLOYEES OF THE METHODIST CHURCH

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF THE PENSION & LIFE ASSURANCE SCHEME FOR LAY EMPLOYEES OF THE METHODIST CHURCH

We have examined the Summary of Contributions to the Pension & Assurance Scheme for Lay Employees of the Methodist Church for the Scheme year ended 31 August 2023 which is set out on page 16.

In our opinion contributions for the Scheme year ended 31 August 2023 as reported in the Summary of Contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 29 November 2021.

Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the Summary of Contributions on page 16 have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedule of Contributions.

Respective responsibilities of Trustee and the Auditor

As explained more fully in the Statement of Trustee's Responsibilities, the Scheme's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a Schedule of Contributions.

It is our responsibility to provide a Statement about Contributions paid under the Schedule of Contributions and to report our opinion to you.

Use of the audit report

This statement is made solely to the Scheme's Trustee, as a body, in accordance with Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our work on contributions has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to them in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee, as a body, for our work on contributions, for this statement, or for the opinion we have formed.

Assure UK

Assure UK

Chartered Accountants and Statutory Auditor
London

Date: 11/01/2024

**PENSION & ASSURANCE SCHEME FOR LAY EMPLOYEES OF
THE METHODIST CHURCH**

FUND ACCOUNT

For the year ended 31 August 2023

	Note	2023 £	2022 £
Contributions and Benefits			
Employer contributions	5	<u>2,384,000</u>	<u>4,110,000</u>
Benefits paid or payable	6	(2,121,208)	(1,729,542)
Payments to and on account of leavers	7	-	(105,977)
Administrative expenses	8	<u>(544,970)</u>	<u>(532,040)</u>
		<u>(2,666,178)</u>	<u>(2,367,559)</u>
Net (withdrawals)/additions from dealing with members		<u>(282,178)</u>	<u>1,742,441</u>
Returns on investments			
Investment income	9	1,098,410	1,494,700
Change in market value of investments	10	(13,563,726)	(28,329,749)
Investment management expenses		<u>(85,278)</u>	<u>(286,440)</u>
Net return on investments		<u>(12,550,595)</u>	<u>(27,121,489)</u>
Net decrease in the Fund during the year		(12,832,773)	(25,379,048)
Net assets of the Scheme			
At 1 September		<u>70,067,178</u>	<u>95,446,226</u>
At 31 August		<u>57,234,405</u>	<u>70,067,178</u>

The notes on pages 24 to 34 form an integral part of these financial statements.

**PENSION & ASSURANCE SCHEME FOR LAY EMPLOYEES OF
THE METHODIST CHURCH**

**STATEMENT OF NET ASSETS
(available for benefits) at 31 August 2023**

	Note	2023 £	2022 £
Investment assets	11		
Pooled investment vehicles		53,675,005	54,242,282
AVC investments		430,198	981,231
Insurance policies		2,596,894	3,251,856
Accrued interest		189,071	218,106
Deposit fund		8,710	7,348,151
Total net investments		<u>56,899,878</u>	<u>66,041,626</u>
Current assets	17	478,451	4,089,743
Current liabilities	18	(143,924)	(64,191)
Net assets of the Scheme at 31 August		<u>57,234,405</u>	<u>70,067,178</u>

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations, is dealt with in the Report of Actuarial Liabilities on pages 6 to 9 of the Annual Report and these financial statements should be read in conjunction with this report.

The notes on pages 24 to 34 form an integral part of these financial statements.

Approved by the Trustee on 11/01/2024

and signed on its behalf by:

Richard Hubbard

Richard Hubbard
Representative of Capital Cranfield Pension Trustees Ltd

Chair of Trustee Board

PENSION & ASSURANCE SCHEME FOR LAY EMPLOYEES OF THE METHODIST CHURCH

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Pension & Assurance Scheme for Lay Employees of Methodist Church (“the Scheme”) is an occupational pension scheme established under trust. The Scheme was established to provide retirement benefits to the Lay Employees of the Methodist Church. The registered address of the Scheme is Methodist Church House, 25 Tavistock Place, London, WC1H 9SF.

The Scheme is a defined benefit scheme which closed to new members and future accrual on 31 May 2019.

The Scheme is a registered pension scheme under Chapter 2, Part 4 of the Finance Act 2004. This means that contributions made by the participating employers and by members are normally eligible for tax relief, and income and capital gains earned by the Scheme receive preferential tax treatment.

2. STATEMENT OF COMPLIANCE

The financial statements of the Scheme have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council (“FRS 102”) and the guidance set out in the Statement of Recommended Practice “Financial Reports of Pension Schemes” (Revised 2018) (“the SORP”).

3. IDENTIFICATION OF THE FINANCIAL STATEMENTS

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is included in the Trustee’s Report.

4. ACCOUNTING POLICIES

The principal accounting policies which the Trustee has adopted are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

(a) Valuation of investments

Investment assets are included in the financial statements at fair value. Investments are stated as follows:

- Epworth state assets at bid price.
- Threadneedle property fund is stated at net asset value (NAV) and Mayfair Capital property fund is stated at bid price.
- The pooled LDI assets are stated at Net Asset Value (NAV).
- Annuity policies are valued by the Scheme Actuary as the amount of the related obligation, determined using the most recent Scheme Funding valuation assumptions updated for market conditions at the reporting date.

PENSION & ASSURANCE SCHEME FOR LAY EMPLOYEES OF THE METHODIST CHURCH

4. ACCOUNTING POLICIES (continued)

(b) Investment income and expenditure

Investment income is accounted for on an accruals basis applied on a consistent basis.

Dividends are accrued on an ex-div basis.

Income from fixed interest securities, index-linked securities, cash and short term deposits and property rental income are all accounted for on an accruals basis.

The change in market value of investments during the year comprises all increases and decreases in market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, where income is reinvested within the fund without issue of further units, change in market value also includes such income.

Income arising from annuity policies is included in net movement in market value of investment.

There are no direct investment management fees chargeable to the Scheme other than the fees payable to Columbia Threadneedle. The Scheme funds are invested in managed pooled investment funds and insurance policies and the underlying investment manager fees are deducted from the net asset value of the pooled investments or policies.

Transaction costs are included in the cost of purchases and deducted from sales proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other duties.

(c) Contributions and benefits

Employer Deficit contributions

Deficit funding contributions are accounted for on the due dates set out in the schedule of contributions, or on receipt if earlier, with the agreement of the Methodist Council and the Trustee.

Benefits and payments to leavers

Benefits and payments to leavers are accounted for in the period they fall due for payment.

Where members can choose whether to take their benefits as a full pension or a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised.

(d) Transfers to other pension schemes

Transfer values are accounted for at values calculated in accordance with the advice of the Actuary and accounted for when the benefits become due for payment. Individual transfers are accounted for when the transfer has been agreed by both parties and the receiving scheme has accepted liability for the transfer.

PENSION & ASSURANCE SCHEME FOR LAY EMPLOYEES OF THE METHODIST CHURCH

4. ACCOUNTING POLICIES (continued)

(e) Currency

The Scheme's functional currency and presentational currency is pounds sterling (GBP). Monetary assets and liabilities in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date. Other transactions are translated into sterling at the rate ruling on the date of the transaction.

Gains and losses arising on conversion or translation are dealt with as part of the change in market value of investments.

(f) Additional Voluntary Contributions

AVCs are accounted for on an accruals basis and the resulting investments are included in the net asset statement.

(g) Administration expenses

Administration expenses are accounted for on an accruals basis.

(h) Cash

Cash at bank not held within the investment portfolio is treated as a current asset.

(i) Critical accounting judgements and estimation uncertainty

The preparation of the financial statements requires the Trustee to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Given the nature of the transactions and balances held by the Scheme, the Trustee is of the view that there are no critical accounting judgements nor estimation uncertainty.

5. CONTRIBUTIONS

<u>Employer</u>	2023 £	2022 £
Deficit Funding contributions	2,380,000	4,110,000
Additional contributions	4,000	-
	<u>2,384,000</u>	<u>4,110,000</u>

6. BENEFITS PAID OR PAYABLE

	2023 £	2022 £
Pensions payable	1,765,878	1,623,144
Lump sums death benefits	-	27,061
Lifetime allowance tax charge	-	12,106
Commutation of pensions and lump sum retirement benefits	355,330	67,231
	<u>2,121,208</u>	<u>1,729,542</u>

**PENSION & ASSURANCE SCHEME FOR LAY EMPLOYEES OF
THE METHODIST CHURCH**

7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2023	2022
	£	£
Refund of contributions	-	353
Individual transfers out to other Schemes	-	105,624
	<u>-</u>	<u>105,977</u>

8. ADMINISTRATION EXPENSES

	2023	2022
	£	£
Management and accountancy	72,838	72,889
Audit fees	7,199	7,199
Actuarial and consultancy fees	177,650	143,820
Legal fees	23,673	73,736
PPF Levy	22,872	42,425
Investment consultancy fees	209,072	162,793
Trustee fees	23,773	19,512
Other	7,893	9,666
	<u>544,970</u>	<u>532,040</u>

9. INVESTMENT INCOME

	2023	2022
	£	£
Interest on cash deposits	10,953	15,560
Distribution on CFB / Epworth	55,082	739,485
Distributions on property investments	1,032,375	739,655
	<u>1,098,410</u>	<u>1,494,700</u>

10. RECONCILIATION OF INVESTMENTS

	Value at 1 September 2022	Purchases at cost	Sales proceeds	Change in market value	Value at 31 August 2023
	£	£	£	£	£
Pooled investment vehicles	54,242,282	45,110,022	(32,768,068)	(12,909,231)	53,675,005
AVC investments	981,231	-	(551,499)	466	430,198
Insurance policies	3,251,856	-	-	(654,962)	2,596,894
	<u>58,475,369</u>	<u>45,110,022</u>	<u>(33,319,567)</u>	<u>(13,563,727)</u>	<u>56,702,097</u>
Accrued interest	218,106				189,071
Deposit fund	7,348,151				8,710
Total investments	<u>66,041,626</u>				<u>56,899,878</u>

The change in market value of investments during the year comprises all the increases and decreases in market value of investments held at any time during the year.

Transaction costs are included in the cost of purchases and deducted from sales proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees. The amount of indirect costs is not separately provided to the Scheme.

**PENSION & ASSURANCE SCHEME FOR LAY EMPLOYEES OF
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11. POOLED INVESTMENT VEHICLES

The Scheme's investment in pooled investment vehicles at the year-end comprised:

	2023	2022
	£	£
Equities	-	8,601,713
Bonds	25,900,038	25,263,229
LDI	17,401,184	13,691,320
Property	-	6,686,020
Cash	10,373,783	-
	<u>53,675,005</u>	<u>54,242,282</u>

12. AVC INVESTMENTS

The Trustee holds assets invested separately from the main fund in the form of insurance policies securing additional benefits on a money purchase basis for the members electing to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement confirming the amounts held to their account and movement in the year. The aggregate amounts of investments are as follows:

	2023	2022
	£	£
AEGON	<u>430,198</u>	<u>981,231</u>

13. INSURANCE POLICIES

The legacy annuity policies relate to benefits due for 19 individuals. Annuities were issued by Legal and General Retail Retirement Income and are valued by the Scheme Actuary. No collateral is held in relation to these assets. The Trustee no longer purchases annuities to meet Scheme liabilities.

14. FAIR VALUE HIERARCHY

The fair value of financial instruments has been disclosed using the following fair value hierarchy:

Level	Valuation basis
1	The unadjusted quoted price in an active market for identical assets which the entity can access at the assessment date
2	Inputs other than the quoted prices included within Level 1 which are observable (i.e. developed for the asset either directly or indirectly)
3	Inputs which are unobservable (i.e. for which market data is unavailable) for the asset

	At 31 August 2023			
	Level 1	Level 2	Level 3	Total
	£	£	£	£
Pooled investment vehicles	-	53,675,005	-	53,675,005
Insurance policies	-	-	2,596,894	2,596,894
AVCs	-	430,198	-	430,198
Deposit fund	-	8,710	-	8,710
Other investment balances	189,071	-	-	189,071
	<u>189,071</u>	<u>54,113,913</u>	<u>2,596,894</u>	<u>56,899,878</u>

**PENSION & ASSURANCE SCHEME FOR LAY EMPLOYEES OF
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14. FAIR VALUE HIERARCHY (continued)

	At 31 August 2022			
	Level 1	Level 2	Level 3	Total
	£	£	£	£
Pooled investment vehicles	-	47,556,262	6,686,020	54,242,282
Insurance policies	-	-	3,251,856	3,251,856
AVCs	-	981,231	-	981,231
Deposit fund	-	7,348,151	-	7,348,151
Other investment balances	218,106	-	-	218,106
	218,106	55,885,644	9,937,876	66,041,626

15. INVESTMENT RISK DISCLOSURES

When deciding how to invest the Scheme's assets, the Trustee considers a wide range of risks, including credit risk and market risk, as defined below.

Credit risk: This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate and inflation rate risk and other price risk, defined as follows:

- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk and inflation rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates or expected inflation rates.
- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate and inflation rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee determines the Scheme's investment strategy after obtaining written professional advice from its professional investment adviser. The Scheme has exposure to the aforementioned risks because of the investments held to implement the investment strategy. The Trustee manages investment risks, including credit risk and market risk, considering the Scheme's investment objectives and strategy, and the advice of its investment advisers.

Within each investment portfolio, investment objectives and restrictions to manage risk are implemented through the legal agreements in place with the Scheme's investment managers. The Trustee monitors the performance of the strategy and associated risks, and each investment manager against its objectives and restrictions, on a regular basis.

PENSION & ASSURANCE SCHEME FOR LAY EMPLOYEES OF THE METHODIST CHURCH

15. INVESTMENT RISK DISCLOSURES (continued)

Further information on these risks and the Trustee's approach to risk management is set out below. This does not include the AVC investments or annuities, as these are not considered significant in relation to the overall investments of the Scheme.

Credit risk

Direct credit risk - Pooled funds

The Scheme is subject to credit risk through its investments in pooled investment vehicles. It is directly exposed to credit risk in relation to the solvency of the custodians of those funds.

The Scheme's holdings in pooled investment vehicles are 'unrated' from a credit perspective. Direct credit risk arising from pooled investment vehicles is mitigated by: the underlying assets of the pooled arrangements being ring-fenced from the assets of the custodian and the investment manager; the regulatory environments in which the pooled fund managers operate; and diversification of the Scheme's investments across a number of pooled funds. Therefore, this risk is minimal.

The Trustee carries out due diligence checks on investments into new pooled funds and on an ongoing basis monitors any changes to the operating environment of those pooled funds.

The role of a custodian is to ensure the safe-keeping of the assets and facilitate all transactions entered into by the appointed investment managers. The Trustee is not responsible for the appointment of the custodian of the assets contained within the various pooled fund investments. The pooled investment vehicle's governing body is responsible for appointing its own custodian for the safe-keeping, monitoring and reconciliation of documentation relating to these securities.

A summary of the type of pooled investment vehicle arrangements used over the period is as follows:

Fund	Fund vehicle
CFB UK Equity Fund	Unregulated investment fund set up under the Methodist Church Funds Act 1960 (in practice this fund invests in underlying Epworth funds structured as CAIFs)
CFB Global Equity Fund	Unregulated investment fund set up under the Methodist Church Funds Act 1960 (in practice this fund invests in underlying Epworth funds structured as CAIFs)
Mayfair Capital Property Unit Trust	Jersey Property Unit Trust
CTI Threadneedle Property Unit Trust	Jersey Property Unit Trust
CTI Real Dynamic LDI Fund	Luxembourg Fonds Commun de Placements
CTI Nominal Dynamic LDI Fund	Luxembourg Fonds Commun de Placements
CTI Sterling Liquidity Fund	Luxembourg Fonds Commun de Placements
AXA ACT Carbon Transition Sterling Buy and Maintain Credit Fund (the AXA B&M Fund)	UK OEIC
CFB Deposit Fund	Unregulated investment fund set up under the Methodist Church Funds Act 1960 (in practice this fund invests in underlying Epworth fund structured as a Common Deposit Fund)

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15. INVESTMENT RISK DISCLOSURES (continued)

Indirect credit risk - Bonds

The Scheme is indirectly exposed to credit risks arising from the underlying investments held by the pooled funds, for example where they invest in bonds or fixed term deposits. The indirect exposure to credit risk on bonds or deposits arises from the Scheme's investments in the CTI Real Dynamic LDI Fund, CTI Nominal Dynamic LDI Fund, the CFB Deposit Fund and the AXA B&M Fund. The amount invested in each of these mandates is shown in the table at the end of this section.

The managers of the pooled funds that invest in fixed income manage credit risk by having a diversified exposure to issuers, conducting thorough research on the probability of default of those issuers, and having only a limited exposure to securities rated below investment grade. The magnitude of credit risk within each fund will vary over time, as the manager changes the underlying investments in line with its views on markets, asset classes and specific securities.

The LDI funds only invest in UK government bonds, therefore there is little credit risk associated with the underlying assets.

Indirect credit risk – Derivatives and repurchase agreements

Within the LDI portfolio, there is exposure to credit risk as the LDI portfolio manager uses derivative instruments and repurchase agreements to match the Scheme's liabilities. The terms under which the LDI portfolio is managed include provisions to manage the exposure to credit risk, such as limits on the exposure to any single counterparty and minimum credit ratings that all counterparties must meet. In addition, the derivative positions are collateralised daily so as to aim to limit credit risk to one day's market movements.

Indirect credit risk – Property

Indirect credit risk previously arose in relation to underlying investments held in the property pooled investment vehicles. The property funds are exposed to the credit risk relating to the underlying tenants. This risk is mitigated by holding a diverse portfolio of investments with exposure to a range of properties and tenants.

The amount invested in each of the above mandates is shown in the Statement of Net Assets.

Currency risk

As the Scheme's liabilities are denominated in Sterling, any non-Sterling currency exposure within the assets presents additional currency risk.

Whilst the majority of the currency exposure of the Scheme's assets is to Sterling, the Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets. The Trustee considers the overseas currency exposure in the context of the overall investment strategy, and believes

PENSION & ASSURANCE SCHEME FOR LAY EMPLOYEES OF THE METHODIST CHURCH

15. INVESTMENT RISK DISCLOSURES (continued)

that the currency exposure that exists diversifies the strategy and is appropriate. Furthermore, the Trustee manages the amount of currency risk by investing in pooled funds that hedge some or all of their currency exposure, or implement separate currency hedging arrangements.

All of the Scheme's pooled funds are accessed via a Sterling share class. Therefore, the Scheme is not subject to direct currency risk. The amount invested in each of these mandates is shown in the Statement of Net Assets. The Scheme's assets that were exposed to unhedged indirect currency risk during the year were the CFB Global Equity Fund and (a very small proportion of) the CFB UK Equity Fund, which had investments that are not currency hedged. Given the overseas currency exposure within the CFB UK Equity Fund was <5% we do not believe this fund has a material exposure to currency risk.

The exposure to foreign currencies within the pooled funds will vary over time as the manager changes the underlying investments but is not expected to be a material driver of returns over the longer term. Decisions about the exposure to foreign currencies within the pooled funds held are at the discretion of the appointed fund managers.

Interest rate and inflation risk

Interest rate risk and inflation risk is a material risk for the Scheme given that movements in interest rates and inflation are a material influence on the value of the liabilities assessed in present day terms. Some of the Scheme's assets are subject to interest rate risk (both nominal and real interest rates). However, the overall interest rate exposure of the Scheme's assets hedges part of the corresponding risks associated with the Scheme's liabilities. The net effect will be to reduce the volatility of the funding level, and therefore the Trustee believes that it is appropriate to have exposure to interest rate risk in this manner.

The only assets the Scheme invests in with material exposure to changes in interest rates are the CTI Real Dynamic LDI Fund, CTI Nominal Dynamic LDI Fund and the AXA B&M Fund. The amount invested in each of these mandates is shown in the Statement of Net Assets.

Other price risk

The Scheme's assets are exposed to risks of market prices other than currencies and interest rates, such as the pooled funds that hold equities being subject to movements in equity prices.

The Trustee monitors this risk on a regular basis, looking at the performance of the Scheme as a whole as well as each individual portfolio. The Trustee believes that the Scheme's assets are adequately diversified between different asset classes and within each asset class to manage this risk.

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The table below summarises the Scheme's investments that have significant exposure to indirect credit and market risks.

Fund	Credit risk	Currency risk	Interest rate risk	Other price risk	Allocation as at 31 Aug 23 (£)
CFB UK Equity Fund	○	○	○	●	-
CFB Global Equity Fund	○	●	○	●	-
Mayfair Capital Property Unit Trust	●	○	○	●	-
CTI Threadneedle Property Unit Trust	●	○	○	●	-
CTI Real Dynamic LDI Fund	●	○	●	○	10,092,974
CTI Nominal Dynamic LDI Fund	●	○	●	○	7,308,210
CTI Sterling Liquidity Fund	○	○	○	○	10,373,784
AXA ACT Carbon Transition Sterling Buy and Maintain Credit Fund (the AXA B&M Fund)	●	○	●	○	25,900,039
CFB Deposit Fund	●	○	○	○	8,710
Total					53,683,716

Key: The risk noted affects the fund significantly (●) or hardly/ not at all (○).

CONCENTRATION OF INVESTMENTS

The investments at the year-end which are 5% or more of the total value of the net assets of the Scheme comprise:

	2023 £	%	2022 £	%
AXA QIF	25,900,038	45.3	25,263,229	36.1
CFB UK Equity	-	-	4,231,374	6.0
CFB Global Equity	-	-	4,370,336	6.2
CT Real Dynamic LDI Fund	10,092,974	17.6	9,727,384	13.9
CT Nominal Dynamic LDI Fund	7,308,210	12.8	3,963,936	5.7
CT Sterling Liquidity Fund	10,373,783	18.1	-	-
Mayfair Capital Property Unit Trust	-	-	3,671,134	5.2
Deposit Fund	8,710	-	7,348,151	10.5

16. CURRENT ASSETS

	2023 £	2022 £
Cash at bank	476,916	4,088,253
Sundry debtors	1,535	1,490
	487,451	4,089,743

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17. CURRENT LIABILITIES

	2023 £	2022 £
Accruals	141,965	62,116
Sundry creditors	962	954
PAYE Control	997	1,121
	<u>143,924</u>	<u>64,191</u>

19. EMPLOYER-RELATED INVESTMENTS

As at 31 August 2023 there were no Employer-related investments in the Scheme, within the meaning of Section 40(2) of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005

20. RELATED PARTY TRANSACTIONS

During the year, the Scheme paid £19,361 (2022: £28,003) to the Methodist Church Fund (MCF), for accountancy, rent and service charges. In addition, the Scheme paid £51,199 (2022: £44,885) to the MMPS for staff and overhead costs incurred in the running the Scheme. The MMPS meets the whole cost, and the Scheme reimburses it during the course of the year.

Capital Cranfield Pension Trustees Limited, represented by Mr Richard Hubbard, are remunerated under the terms of the agreement signed on 9 August 2016 and subsequently amended in April 2021. During the year fees of £23,773 (2022: £19,498) were paid to Capital Cranfield Pension Trustees Limited. Other Directors of the Trustee Board were not remunerated.

There were 3 Member Nominated Directors (MNDs) who served during the year. One retired on 31 March 2023. Mr Christophe Borysiewicz and Mr William Seddon served on the Board during the year representing closure members of the Scheme. Each usually serves for a period of 3 years and can be re-elected.

During the year Epworth levied management and administration charges to the Epworth Investment and Deposit Funds.

PENSION & ASSURANCE SCHEME FOR LAY EMPLOYEES OF THE METHODIST CHURCH

ACTUARIAL CERTIFICATE OF THE SCHEDULE OF CONTRIBUTIONS

Name of scheme: Pension and Assurance Scheme for Lay Employees of the Methodist Church

Adequacy of rates of contributions

I certify that, in my opinion, the rates of the contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 1 September 2020 to be met by the end of the period specified in the recovery plan agreed on 26 November 2021.

Adherence to Statement of Funding Principles

I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles agreed on 26 November 2021.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme's liabilities by the purchase of annuities, if the Scheme were to be wound up.

Signature	Debra Smith	Date	29 November 2021
Name	Debra Smith (Scheme Actuary)	Qualification	Fellow of the Institute and Faculty of Actuaries
Address	PO Box 68 Albert House South Esplanade St Peter Port Guernsey GY1 3BY	Name of Employer	BWCI Consulting Limited

HELP AND ADVICE

Any queries about the Scheme generally, or about individual's entitlement to benefit, or any request for further information about the Scheme, should be addressed to the Pensions Manager at:

Methodist Church House
25 Tavistock Place
London
WC1H 9SF

☎ 020 7467 5287

✉ pensionshelp@methodistchurch.org.uk

Website: www.methodist.org.uk/for-churches/finance/pensions/

MONEY HELPER

Money Helper is available to assist members and beneficiaries of the Scheme in connection with difficulties that they have failed to resolve with the trustees or the Scheme administrators. Money Helper can also provide free information and guidance on pensions. It is an independent non-profit organisation, with volunteer advisers who are experts in pension matters. Money Helper can be contacted at:

☎ 0800 011 3797

Website: www.moneyhelper.org.uk

[Web Form](#)

THE PENSIONS OMBUDSMAN

The Pensions Ombudsman will investigate and determine any complaint or dispute of fact or law in relation to an Occupational Pension Scheme. A completely independent impartial adjudicator where there is no charge for the service. The Pensions Ombudsman can be contacted at:

Pensions Ombudsman Service
10 South Colonnade
London
E14 4PU

Tel: 0800 917 4487

✉ enquiries@pensions-ombudsman.org.uk

Website: www.pensions-ombudsman.org.uk

PENSION TRACING

The Pension Tracing Service is a free government service set up to help find missing pensions. You can also find contact details for workplace or personal pension schemes. The Pension Tracing Service can be contacted at:

The Pension Service
Post Handling Site A
Wolverhampton
WV98 1AF
Tel: 0800 731 0193

Website: www.gov.uk/find-pension-contact-details

[Web Form](#)

APPENDIX 1: IMPLEMENTATION STATEMENT

Implementation Statement, covering 1 September 2022 to 31 August 2023

The Trustee of the Pension and Assurance Scheme for Lay Employees of the Methodist Church (the “Scheme”) is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed the voting and engagement policies in its Statement of Investment Principles (“SIP”) during the Scheme Year. This is provided in Section 1 below.

The Implementation Statement (IS) is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, Trustees (including the most significant votes cast by Trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 below.

In preparing the Statement, the Trustee has had regard to the guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions (“DWP’s guidance”) in June 2022.

Introduction – Last review of the voting and engagement policies

The voting and engagement policies in the SIP were reviewed during the Scheme Year in July 2023. The updates made reflect additional wording on the Trustee’s stewardship priorities and practices in relation to voting and engagement, in addition to amended wording on the Trustee’s beliefs about Environmental, Social and Governance (ESG) factors. As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes.

The Trustee has, in its opinion, followed the Scheme’s voting and engagement policies during the Scheme Year.

The Trustee has recently formed an ESG Sub-Committee to oversee more responsible investment, voting and engagement more closely. This Sub-Committee will act as a forum for formation of policies, oversight and engaging with managers, where appropriate.

Voting and engagement

The Trustee has delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. Though the Scheme no longer holds equity investments at 31 August 2023, it held equities with Epworth over part of the year to 31 August 2023, and thus reports on these holdings in this IS. These policies are:

Epworth:

- Epworth votes according to a template it agrees and helps construct each year, as members of the Church Investors Group (CIG). This template is available to clients, and Epworth reports on its implementation regularly to the Trustee. In future the intention is that reporting will be through the Trustee’s new ESG Sub-Committee.
- The CIG template is implemented by Institutional Shareholder Services (ISS).

However, the Trustee takes ownership of the Scheme’s stewardship by monitoring and engaging with managers as detailed below.

As part of its advice on the selection and ongoing review of the investment managers, the Scheme’s investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers’ approaches to voting and engagement and to financially material ESG considerations (including climate change).

Following the introduction of DWP's guidance, the Trustee agreed to set stewardship priorities to focus monitoring and engagement with their investment managers on specific ESG factors. The Trustee discussed and agreed stewardship priorities for the Scheme, which are:

- 1. (Climate emergency) A Just Transition for All**
Corresponding UN SDGs: 8 (Decent work and economic growth); 11 (Sustainable cities and communities); 12 (Responsible consumption and production); 13 (Climate action)
- 2. Quality Living for All**
Corresponding UN SDGs: 2 (Zero hunger); 3 (Good health and wellbeing); 12 (Responsible consumption and production)
- 3. (Workers' rights) Safe Work for All.**
Corresponding UN SDGs: 5 (Gender equality); 8 (Decent work and economic growth); 10 (Reduced inequalities)

These priorities were selected noting the results of a Priority Matrix Survey, where constituents of the Methodist Church were contacted on their ethical priorities before the results were overlaid on the investment exposures to assess scope for impact. A matrix of priority and scope for impact was then created to guide the prioritisation of issues. Each stewardship priority was also associated with a selection of the UN's Sustainable Development Goals (SDGs) in order to make communication of the priorities to third parties more straight forward. The Trustee has communicated its priorities to each of its managers.

The Trustee regularly invites the Scheme's investment managers to present at Joint Investment Committee ("JIC") meetings.

In Q1 2023, AXA presented to the JIC to discuss its improved ESG capabilities and climate objectives in relation to the Scheme's pooled corporate bond portfolio with the manager. AXA explained how portfolio companies are increasingly required to set a science-based target as part of their pledge to achieve net zero and the Trustee's approach to excluding certain investments from the investable universe was discussed.

The Methodist Church Joint Advisory Committee on the Ethics of Investment ("JACEI") performed an independent review of the Epworth investments managed by the Central Finance Board of the Methodist Church ("CFB"), covering their voting and engagement activities. This review confirmed that "The Committee judges that the CFB (Epworth) has managed the funds under its control in support of an ethical stance which is in accordance with the aims of the Methodist Church".

The JIC also reviewed reports from its managers on voting and engagement activities undertaken on its behalf.

The Trustee is supportive of the UK Stewardship Code. All of the Scheme's managers are also signatories of the Code.

The Trustee is conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustee aims to have an ongoing dialogue with managers to clarify expectations and encourage improvements. For instance, moving forward the new ESG Sub-Committee will act as a forum for oversight and engaging with managers, where appropriate.

Description of voting behaviour during the Scheme Year

All the Trustee's holdings in listed equities are within pooled funds and the Trustee has delegated to its investment managers the exercise of voting rights. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the Scheme Year. However, the Trustee monitors managers' voting and engagement behaviour on an regularly and challenges managers where their activity has not been in line with the Trustee's expectations.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, PLSA Vote Reporting template and DWP's guidance, on the Scheme's funds that hold equities as follows:

CFB UK Equity Fund; and

CFB Global Equity Fund (formerly the CFB Overseas Fund)

In addition, the Trustee contacted the Scheme's other asset managers that do not hold listed equities, to ask if any of the assets held by the Scheme had voting opportunities over the Year. However, the property (now disinvested), corporate bond and LDI managers confirmed that no such opportunities were available. The Trustee did however ask for examples of significant engagement with companies which these managers may have had over the Year, these are detailed below.

3.1 Description of the voting processes

For assets with voting rights, the Trustee relies on the voting policies which its managers have in place.

Below is a description of Epworth Investment Management Limited voting process (further detail is available on the Epworth website [here](#)):

- Epworth support the Principles set out in the UK Corporate Governance Code 1 (as revised) and the UK Stewardship Code 2. Epworth vote by proxies in the UK and Europe in accordance with these Codes and in keeping with the overarching objectives set out in their Policy Statement.
- Epworth are a founding member of the CIG proxy voting coalition that has adopted a common voting template for its supporting members. These members of the CIG seek to promote best practice standards of corporate governance at investee companies by leveraging their combined voting rights in a collective approach.
- The voting template that governs how the CIG coalition votes at each company meeting is updated and refreshed annually. The template is administered by ISS 3 on a global basis, executing ballots in a timely way so as to register the voting intentions of CIG members by the due deadline.
- In keeping with commitments under the UK Stewardship Code, Epworth publish a quarterly summary of voting activity which is available on their website; a full report of votes registered at each investee meeting in the UK and Europe, is available on request.

3.2 Summary of voting behaviour

A summary of voting behaviour over the Scheme Year is provided in the table below.

	Fund 1	Fund 2
Manager name	Epworth Investment Management Limited	Epworth Investment Management Limited
Fund name	CFB UK Equity Fund	CFB Global Equity Fund
Total size of fund at end of the Scheme Year	£56.3m	£48.3m
Value of Scheme assets at end of the Scheme Year (£ of total assets)	0	0
Number of equity holdings at end of the Scheme Year	70	208
Number of meetings eligible to vote	71	228
Number of resolutions eligible to vote	1,405	3,742
% of resolutions voted	100%	99%

Of the resolutions on which voted, % voted with management	89%	75%
Of the resolutions on which voted, % voted against management	10%	24%
Of the resolutions on which voted, % abstained from voting	1%	0%
Of the meetings in which the manager voted, % with at least one vote against management	75%	86%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	N/A	N/A

3.3 Most significant votes

Commentary on the most significant votes over the Scheme Year, is set out below.

Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustee did not identify significant voting ahead of the reporting period.

Instead, the Trustee has retrospectively created a shortlist of most significant votes by requesting each manager provide a shortlist of votes, which comprises a minimum of ten most significant votes, and suggested the managers could use the PLSA's criteria³ for creating this shortlist. Going forward, by informing its managers of its stewardship priorities and through its regular interactions with the managers, the Trustee believes that its managers will understand how it expects them to vote on issues for the companies they invest in on its behalf.

The Trustee has interpreted "significant votes" to mean those that align with the Trustee's stewardship priorities.

The Trustee has reported on two of these significant votes per fund (where possible) as the most significant votes. For the CFB Global Equity Fund, only one vote was included as all other votes provided were after the Scheme made a full disinvestment from the fund. If members wish to obtain more investment manager voting information, this is available upon request from the Trustee.

Epworth Investment Management Limited, CFB UK Equity Fund

Berkeley Group Holdings Plc, 6 September 2022

Summary of resolution: Approve Remuneration Report.

Relevant stewardship priority: (Workers' rights) Safe Work for All.

Approx size of the holding at the date of the vote: 1.25%

Why this vote is considered to be most significant: Voting action was aligned with Trustee priorities on (Workers' rights) Safe Work for All.

Vote: Against

Rationale: Remuneration schemes should not breach local good practice, concerns over multiples of salary.

³ Vote reporting template for pension scheme implementation statement – Guidance for Trustees (plsa.co.uk). Trustees are expected to select "most significant votes" from the long-list of significant votes provided by their investment managers.

Was the vote communicated to the company ahead of the vote: Yes.

Outcome of the vote and next steps: For resolution. Epworth Investment Management Limited will continue to vote in line with its policy in matters related to this resolution.

Ashtead Group Plc, 6 September 2022

Summary of resolution: Approve Remuneration Report

Relevant stewardship priority: (Workers' rights) Safe Work for All.

Approx size of the holding at the date of the vote: 2.50%

Why this vote is considered to be most significant: Voting action was aligned with Trustee priorities on (Workers' rights) Safe Work for All.

Vote: Against

Rationale: Remuneration schemes should not breach local good practice, concerns over multiples of salary.

Was the vote communicated to the company ahead of the vote: Yes.

Outcome of the vote and next steps: For resolution. Epworth Investment Management Limited will continue to vote in line with its policy in matters related to this resolution.

Epworth Investment Management Limited, CFB Global Equity Fund

Cisco Systems, 8 December 2022

Summary of resolution: Report on Tax Transparency Set Forth in the Global Reporting Initiative's Tax Standard.

Relevant stewardship priority: (Workers' rights) Safe Work for All.

Approx size of the holding at the date of the vote: 0.32%

Why this vote is considered to be most significant: Voting action was aligned with to Trustee priorities on (Workers' rights) Safe Work for All.

Vote: For resolution.

Rationale: Proposed tax reporting would align with Epworth's policies (and desire for greater transparency) in this area.

Was the vote communicated to the company ahead of the vote: Yes.

- **Outcome of the vote and next steps:** Against resolution. Epworth Investment Management Limited will continue to vote in line with its policy in matters related to this resolution.

3.4 Engagement in relation to assets other than listed equity


The following comments were provided by the Scheme's asset managers which don't hold listed equities, but invest in assets that had voting opportunities during the Scheme Year:

AXA

- AXA engaged with Unilever on the upcoming evolution of their disclosure on deforestation-free metrics, the shifts in approach to achieve deforestation-free palm oil, and the levers used to reduce land-use change in tea and ice cream. Unilever is trying to alleviate some pressure on palm oil by actively seeking alternatives - although the potential for substitution may be limited – and continues to work on forest regeneration. AXA were satisfied with the discussion, requesting clearer disclosure on tea certification. They plan to follow-up when Unilever is ready to publish its deforestation-free metrics before the next AGM. This aligns with the Trustee stewardship priority on Quality Living for All as it relates to responsible production processes.
- AXA met with Bank of America's (BofA) vice chairman in charge of the sustainability strategy and other representatives to discuss its financing policies, in particular for the coal and unconventional oil & gas (O&G) industries. AXA expects BofA to detail its efforts to fulfil net-zero emissions targets as guided by various organisations, to expand its coal and unconventional O&G financing policies to underwriting activities. They consider that engagement is progressing because Bank of America has established financing policies related to coal and unconventional oil & gas. AXA confirmed that they will continue the

discussion with the bank and will keep engaging with BofA, on these issues. This aligns with the Trustee stewardship priority on (Climate emergency) A Just Transition for All.



SIGNATURE CERTIFICATE



REFERENCE NUMBER
7BDB830F-01AB-4C84-89AB-77060EF4532D

<p>TRANSACTION DETAILS</p> <p>Reference Number 7BDB830F-01AB-4C84-89AB-77060EF4532D</p> <p>Transaction Type Signature Request</p> <p>Sent At 01/08/2024 05:20 EST</p> <p>Executed At 01/11/2024 09:28 EST</p> <p>Identity Method email</p> <p>Distribution Method email</p> <p>Signed Checksum b39bfdc51ed12221ff0531e74f02365c3460502f935810e8df612987acc76046</p> <p>Signer Sequencing Enabled</p> <p>Document Passcode Disabled</p>	<p>DOCUMENT DETAILS</p> <p>Document Name PASLEMC Accounts LOR 2023 for signing</p> <p>Filename PASLEMC_Accounts_LOR_2023_for_signing.pdf</p> <p>Pages 47 pages</p> <p>Content Type application/pdf</p> <p>File Size 565 KB</p> <p>Original Checksum 396fa0b82e01f572c207b3023c13ddf3e92cf93b8f784c698074f91481659401</p>
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SIGNERS

SIGNER	E-SIGNATURE	EVENTS
<p>Name Gareth Burton</p> <p>Email gareth.burton@assureuk.co.uk</p> <p>Signer Sequence 1</p> <p>Components 4</p>	<p>Status signed</p> <p>Multi-factor Digital Fingerprint Checksum 77075eb37b8e23f1131170be58b843ecb5e54116b18fd444bdfcf67730a4e144</p> <p>IP Address 88.97.51.129</p> <p>Device Chrome via Windows</p> <p>Typed Signature </p> <p>Signature Reference ID 9514501E</p>	<p>Viewed At 01/11/2024 09:28 EST</p> <p>Identity Authenticated At 01/11/2024 09:28 EST</p> <p>Signed At 01/11/2024 09:28 EST</p>
<p>Name Richard Hubbard</p> <p>Email r.hubbard@capitalcranfield.com</p> <p>Signer Sequence 0</p> <p>Components 6</p>	<p>Status signed</p> <p>Multi-factor Digital Fingerprint Checksum 82be5f35661596b6f6094ee0a284ca07e5fe818249fcdcd6ec876e26e4a07ac13</p> <p>IP Address 31.221.122.11</p> <p>Device Microsoft Edge via Windows</p> <p>Typed Signature </p> <p>Signature Reference ID 5A7C9A39</p>	<p>Viewed At 01/11/2024 09:26 EST</p> <p>Identity Authenticated At 01/11/2024 09:26 EST</p> <p>Signed At 01/11/2024 09:26 EST</p>

AUDITS

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