

## Methodist Ministers' Pension Scheme (MMPS)

### Basic Information

<b>Contact Name and Details</b>	Nick Moore, Head of Support Services Ron Calver, Connexional Treasurer
<b>Status of Paper</b>	Final
<b>Action Required</b>	Decision
<b>Draft Resolution</b>	<ol style="list-style-type: none"> <li>1. Council recommends to Conference that the contribution of ministers to the pension scheme be increased from 7% to 9% of stipend from 1 September 2009</li> <li>2. Council recommends to Conference that a Pension Reserve Fund be set up from 1 September 2009</li> <li>3. Council recommends the following basis for the increase in and distribution of the levy on the sale of properties (to be determined by Council debate)</li> </ol>
<b>Alternative Options to Consider, if Any</b>	Various options for establishing a Pension Reserve Fund to be considered by Council.

### Summary of Content

<b>Subject and Aims</b>	Building on decisions taken at its meeting in February this paper aims to update Council on subsequent discussions by the Connexional Allowances Committee (CAC), SRC and MMPS Trustee Board. In addition it provides the framework for a more detailed discussion regarding the establishment of a Pensions Reserve Fund.
<b>Main Points</b>	<ul style="list-style-type: none"> <li>□ The Trustee Board, SRC and CAC have all supported the proposal made by Council in February regarding recovery of the past service deficit of £39.2million.</li> <li>□ The Trustee Board has accepted the Council's statement regarding the "employer's covenant" on the basis that a Pensions Reserve Fund be established by Conference.</li> <li>□ Assuming that a Pensions Reserve Fund is to receive its income from property sales, there are various ways of defining this. Council needs to consider the extent to which money is diverted from the CAPF and Circuit Advance Funds (CAF's).</li> </ul>
<b>Background Context and Relevant Documents</b>	February Council paper MC/09/11.
<b>Consultations</b>	MMPS Trustee Board Connexional Allowances Committee (CAC) SRC Connexional Team via the Head of Support Services

### Summary of Impact

<b>Standing Orders</b>	Not yet ascertained
<b>Faith and Order</b>	N/a
<b>Financial</b>	Pension contributions by ministers and circuits will increase from 1 September 2009. Money to establish a Pension Reserve Fund will need to be diverted from elsewhere.
<b>Personnel</b>	Not yet ascertained
<b>Legal</b>	The church has a statutory obligation to recover the past service deficit. Failure to adopt these proposals will result in a solution that will be determined by the Pensions Regulator.
<b>Wider Connexional</b>	All circuits and districts will be affected
<b>External</b>	N/a
<b>Risk</b>	Risk that the church tries to delay the establishment of a fund which will negate its impact

## Methodist Ministers' Pension Scheme

Since the February meeting of Council there have been meetings of the Trustees, the Connexional Allowances Committee (CAC) and the SRC. The outcomes have been as follows:

**Trustees** – Accepted the Council's resolution regarding the Employer's Covenant and confirmed the deficit of £39.2m to be financed by a contribution increase of 7% of stipends from 1/09/09 and a further 7% from 1/09/10. Strongly supported the proposals for a Pension Reserve Fund.

**CAC** – Propose that the contribution of ministers be increased from 7% to 9% of stipends from 1/9/09. This results in an increase in the employer contribution of 5% from 17% to 22% of stipends from 1/09/09 and to 29% from 1/09/10. Asked the Trustees to consider implementing the increases over a longer period but this request was declined. Strongly supported the proposals for a Pensions Reserve Fund. Supported the proposal for a review of scheme benefits during 2009/10.

**SRC** – Supported the CAC proposals regarding the increase in the ministers' contribution rate. Strongly supported the proposals for a Pensions Reserve Fund and recommend to Council that a formal proposal is put to Conference 09 for implementation from 1/09/09. Supported the proposal for a review of scheme benefits during 2009/10.

## Pensions Reserve Fund

The outline proposals put to Council in February were discussed at length by SRC and a number of suggestions made. Based on these suggestions the following proposals provide a basis for Council to consider.

The first question is how much do we wish to add to the Fund each year?

This is purely a matter of judgement but needs to be seen to make a serious contribution to possible future demands on the Fund. We need to be seen to “put our money where our mouth is” as far as the Employer Covenant is concerned. My proposal is that we target an amount of 1% of the market value of the pension scheme assets. This would have been £2.8m as at 1/09/08.

The second question is who provides the money?

My outline proposal sought to share the cost between the Circuit, District and Connexional Advance Funds. A counter proposal is that the cost should be borne totally by the Circuit Advance Funds as these are distributed very unevenly across the Connexion and a charge on these funds has a less severe impact on the mission of the Church.

At present total net levies in a typical year might average £4m. This is divided equally between the Connexional Advance Fund (CAPF) and the District Advance Funds (DAFs).

My outline proposal was to increase the levies by 50% ( to £6m in the above example). I then proposed that 50% of this figure (£3m) should be allocated to the Pensions Reserve Fund and the balance divided equally between the CAPF and the DAFs. This results in the allocations to the CAPF and the DAFs reducing from £2m to £1.5m

If we wish to leave the CAPF and DAF allocations unchanged then we would need to increase the total levy by 70% from £4m to £6.8m and allocate £2.8m to the Pensions Reserve Fund.

It is difficult to assess the impact of this on the Circuit Advance Funds (CAFs) but a £4m total net levy could emerge from property sales ( less replacement schemes ) of about £20m. The impact of my outline proposal on CAFs would be to reduce their net receipts from £16m to £14m. The second proposal would reduce their net receipts from £16m to £13.2m.

There are of course an infinite number of variations to these proposals which can be developed but the two above seem to cover the key points which need consideration.

### Resolutions

1. Council recommends to Conference that the contribution of ministers to the pension scheme be increased from 7% to 9% of stipends from 1/09/09.
2. Council recommends to Conference that a Pension Reserve Fund be set up from 1/09/09 .
3. Council recommends the following basis for the increase in and distribution of the levy on the sale of properties ...

Ron Calver

Connexional Treasurer

16<sup>th</sup> March 09