

# Paper G3

## URC Ministers' Pension Trust

### Rule changes in calculating Ministers' Pension Fund benefits

United Church 2017  
Church 2017  
Reformed Church 2017  
Church 2017

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#### Basic Information

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<b>Action required</b>	Decision
<b>Draft resolution(s)</b>	<b>Acting on behalf of General Assembly, Mission Council agrees that a Deed of Amendment to the Rules of the Ministers' Pension Fund (in materially the form attached to this paper) should be approved and signed on behalf of the United Reformed Church by the Moderator and Clerk of the Assembly.</b>

#### Summary of Content

<b>Subject and aim(s)</b>	To approve amendments to the rules for calculating certain benefits provided for by the Ministers' Pension Fund.
<b>Main points</b>	<ol style="list-style-type: none"> <li>The method set out in the present rules for qualifying for benefits of part time members in ill health retirement cases may (unintentionally) discriminate against part time workers.</li> <li>A recent UK Supreme Court ruling has changed the previous understanding of the law applying to pension entitlement of same sex spouses and civil partners. Although the Court decision overrides the scheme rules, we are advised to amend the rules to reflect the newly understood legal position.</li> <li>While making these amendments, three minor typographical corrections are also being made.</li> </ol>
<b>Previous relevant documents</b>	None
<b>Consultation has taken place with...</b>	The legal advisors and actuaries to the URC Ministers' Pension Trust.

#### Summary of Impact

<b>Financial</b>	The URC MPT's actuary has reported to the Trustee that the changes have no material impact on the Ministers' Pension Fund's funding requirement.
<b>External (e.g. ecumenical)</b>	None

# Rule changes in calculating Ministers' Pension Fund benefits

1. Changes to the rules of the Ministers' Pension Fund ['MPF'] can only be achieved by a Deed of Amendment signed on behalf of the Church in its role as 'employer'. The draft Deed of Amendment set out in Appendix A is designed to make the changes indicated below and is acceptable to the directors of the URC Ministers' Pension Trust Ltd ['URCMPT'].
2. Following a previous rule change which applied from January 2013, the current (2014) version of the rules of the MPF provide for qualification for ill health retirement benefits based on the period of 'pensionable service' (which is reduced pro rata for part time service) rather than 'contributory membership' (which is not). The use of the term 'pensionable service' inadvertently replaced 'membership' in determining which ill health benefit calculation applies and also in the description in Rule 6.5.8.2 of how the ill health benefit under that rule is calculated. Recently our actuaries pointed out that this has the potential to discriminate unintentionally against part time ministers and our legal advisors agreed.
3. Accordingly, those legal advisors have drafted the amendment to the rules set out at 1.2 of the Deed of Amendment in Appendix A to this paper to correct this error.
4. The opportunity provided by this rule change is being taken to make two other minor typographical corrections which have been regarded as too insignificant in themselves to justify bringing to Mission Council hitherto. In one case, the word "of" is corrected to read "or". In the other, a cross-reference to Rule "6.5.4" is amended to "6.5.6". These are set out at 1.1 and within 1.2 (revised Rule 6.5.8.2) in Appendix A.
5. On 12 July 2017 the UK Supreme Court handed down its judgement in the case of *Walker v Innospec Limited*. This reversed a Court of Appeal decision and declared that Mr. Walker's husband had the right to a survivor's pension calculated on the same basis as if Mr. Walker were married to a woman. The provision in the Equality Act allowing schemes to limit equality for civil partners and same sex spouses to retirement benefits accrued by reference to service from 5 December 2005 was declared contrary to EU law and ineffective. The URCMPT's legal advisors indicate that this decision should be regarded as final.
6. In common with many other pension schemes, the rules of the MPF have limited pensions to reflect the Equality Act provision by excluding pre-December 2005 benefits. Although the Court decision has automatic effect in relation to future calculations, we have been advised it would be appropriate to amend the rules to reflect the position as it now stands in law.
7. The proposed amendment to the rules as set out at 1.3 to 1.6 in Appendix A to this paper make this change.
8. To give effect to all of these rule changes the approval of Mission Council, acting on behalf of the General Assembly, is required in the form of the resolution set out above.

# Appendix A

Dated

2017

## The United Reformed Church Ministers' Pension Fund Deed of Amendment

THIS DEED OF AMENDMENT is made on 2017

### BETWEEN

- (1) UNITED REFORMED CHURCH (the "URC"); and
- (2) THE UNITED REFORMED CHURCH MINISTERS' PENSION TRUST LIMITED (the "Pension Trustee").

### WHEREAS:

- (A) The United Reformed Church Ministers' Pension Fund (the "**Fund**") was established by an interim trust deed dated 29 May 1980 and is currently governed by the Trust Deed and Rules dated 5 December 2014 (the "**Trust Deed and Rules**").
- (B) The Pension Trustee is the trustee for the time being of the Fund.
- (C) Under Rule 16.1 the Trust Deed and Rules, the URC may alter or modify all or any of the provisions of the Trust Deed and Rules subject to the restrictions in Rule 16.2.
- (D) The URC wishes to alter the Trust Deed and Rules as set out in this Deed. The Actuary has provided a report on the financial effect of the alterations and none of the alterations breaches the restrictions in Rule 16.2.3.
- (E) The amendments made by this deed are not regulated modifications of the Fund within the meaning of section 67A(2) of the Pensions Act 1995.

### THIS DEED WITNESSES as follows:

- 1. In exercise of the power in Rule 16.1 of the Trust Deed and Rules the URC makes the following alterations with effect from the date of this Deed:
  - 1.1 In Rule 1 (Definitions), the definition of "*Relatives*" is altered by replacing the penultimate "*of*" with "*or*" in the last sentence of the definition.
  - 1.2 Clause 6.5 is replaced by the following:
    - "6.5 ***Ill-Health Retirement***
      - 6.5.1 *A Contributing Member who leaves Pensionable Service before Normal Pension Age due to Ill-Health shall be entitled to an immediate pension calculated in accordance with this Rule 6.5, provided that:*
        - 6.5.1.1 *The Pension Trustee has received evidence from a registered medical practitioner appointed by the Pension Trustee (or at the discretion of the Pension Trustee, some other registered medical practitioner) that the*

*member is, and will continue to be, unable to carry out his or her occupation because of physical or mental impairment; and*

- 6.5.1.2** *The member agrees to inform the Pension Trustee if he or she commences paid employment.*
- 6.5.2** *The Pension Trustee must review the state of health of any member who receives a pension on the grounds of Ill-Health at regular intervals and at least once every 5 years unless it considers that it would be inappropriate to do so.*
- 6.5.3** *Where a member in receipt of a pension paid on the grounds of Ill-Health:*
  - 6.5.3.1** *Does not agree to any medical examination that the Pension Trustee may require for the purposes of a review being carried out in accordance with Rule 6.5.2;*
  - 6.5.3.2** *In the opinion of the Pension Trustee is no longer suffering from Ill-Health; or*
  - 6.5.3.3** *In the case of a member who is not a Pre-2013 Member, and is, in the opinion of the Pension Trustee, capable of undertaking remunerated employment the Pension Trustee may reduce or suspend the payment of the pension for any period or periods before Normal Pension Age.*

*The Pension Trustee shall not be required to pay any amounts that were not paid while a pension was reduced or suspended in the event that the pension is increased back to its original level or recommences, but the Pension Trustee must be reasonably satisfied that the benefits (including death benefits) for a member who retires on the grounds of Ill-Health are at least equal in value to the benefits to which he or she would otherwise have become entitled on leaving the Fund under Rule 8.*

- 6.5.4** *A member who has less than 10 years' service as a Contributing Member shall be entitled to a pension calculated under Rule 6.1.1, but calculated disregarding any Pensionable Service after reaching his or her 65th birthday.*
- 6.5.5** *A member who has greater than 20 years' service as a Contributing Member shall be entitled to a pension calculated under Rule 6.1.1, except that:*
  - 6.5.5.1** *The pension should be calculated disregarding any Pensionable Service after reaching his or her 65th birthday;*
  - 6.5.5.2** *In the case of a member who has not reached his or her 65th birthday, his or her Pensionable Service shall be treated as being of such length as it would have been had he or she remained in Pensionable Service until reaching his or her 65th birthday; and*
  - 6.5.5.3** *Where the member is in part-time service, the prospective Pensionable Service included when calculating his or her pension shall be calculated on the assumption that he or she remains in part-time service until*

reaching his or her 65th birthday, unless the Pension Trustee has exercised its discretion under Rule 2.2.2.

- 6.5.6** A member who has between 10 and 20 years' service as a Contributing Member shall be entitled to a pension calculated under Rule 6.5.4 plus an additional amount of pension calculated as follows:

**$(\text{Pension B} - \text{Pension A}) \times (C / 120)$**

Where:

**Pension A** is the pension calculated under Rule 6.5.4;

**Pension B** is the pension calculated under Rule 6.5.5 (but disregarding the requirement that the member must have completed 20 years' service as a Contributing Member for that Rule to apply); and

**C** is the number of complete months' in excess of 120 that the member has been in service as a Contributing Member.

- 6.5.7** Where this Rule 6.5 applies to a Pre-2013 Member, if it would result in a higher pension than that calculated under whichever of Rule 6.5.4, 6.5.5 or 6.5.6 applies in his or her case, he or she shall instead be entitled to a pension calculated under Rule 6.5.8.
- 6.5.8** The pension under this Rule 6.5.8 is whichever is the higher of:
- 6.5.8.1** A pension calculated under Rule 6.5.5 as if the Pre-2013 Member had retired due to Ill-Health on 1 January 2013 (disregarding the requirement that the member must have completed 20 years' service as a Contributing Member for that Rule to apply). For the avoidance of doubt the pension under this Rule 6.5.8.1 is based on Pensionable Service up to 1 January 2013 and prospective service and Stipend at that date (and the calculation assumes that any change after 1 January 2013 from full-time to part-time service or vice versa had not occurred); or
- 6.5.8.2** Pension B (as defined in Rule 6.5.6) but multiplied by the following fraction: the Pre-2013 Member's service as a Contributing Member up to and including 31 December 2012 divided by the Pre-2013 Member's total service as a Contributing Member up to retirement or reaching his or her 65th birthday if earlier (with each period calculated in complete months). When calculating Pension B for the purposes of this Rule 6.5.8.2, Pension B is calculated assuming that any change after 1 January 2013 from full-time to part-time service or vice versa had not occurred.
- 6.5.9** Where the Pension Trustee has exercised its discretion under Rule 2.4.3 or Rule 2.4.4 (to aggregate periods of membership in the Fund), service as a Contributing Member and Pensionable Service for the purposes of this Rule 6.5 shall include such periods during which the member was entitled to pension under Rule 8.1 as the URC shall direct, provided that the URC must be satisfied that such service was of an appropriate ecumenical nature.

**6.5.10** *A person who retired on the grounds of Ill-Health before 1 January 2013 is entitled to a pension calculated in accordance with Rule 6.5.5 irrespective of the length of his or her Pensionable Service."*

**1.3** In the first sentence of Rule 7.1.1.2 the following words are deleted:  
*" , except that in the case of a spouse who is of the same sex as the member or who is the Civil Partner of the member, the pension payable will be calculated only by reference to that part of the member's pension that relates to Pensionable Service after 5 December 2005."*

**1.4** In the first sentence of Rule 7.2.1.3 the following words are deleted:  
*"except that in the case of a spouse who is of the same sex as the member or who is the Civil Partner of the member, the pension payable will be calculated only by reference to that part of the member's pension that relates to Pensionable Service after 5 December 2005."*

**1.5** In the second sentence of Rule 7.3.1 the following words are deleted:  
*" , except that in the case of a spouse who is of the same sex as the member or who is the Civil Partner of the member, the pension payable will be calculated only by reference to that part of the member's pension that relates to Pensionable Service after 5 December 2005."*

**1.6** The third sentence of Rule 7.5.2 is deleted.

- 2.** Words and expressions used in this deed but not defined shall, where the context so admits, have the meanings given to them in the Trust Deed and Rules.
- 3.** This deed may be executed in any number of counterparts, all of which taken together shall constitute the same deed.

**THIS DEED** has been executed and delivered by the parties on the date written at the top of the first page.

**EXECUTED** as a deed by )  
**UNITED REFORMED CHURCH** )  
acting by: )

Director: .....

Director/Secretary .....

**EXECUTED** as a deed by )  
**UNITED REFORMED CHURCH MINISTERS'** )  
**PENSION TRUST LIMITED** acting by: )

Director: .....

Director/Secretary .....

