

Paper G2

Finance committee:

New Trust Deed and Rules for
the URC Ministers' pension fund
(URCMPF)

United Church 2014
Church 2014
Reformed Church 2014
Church 2014



Finance committee: New Trust Deed and Rules for the URC Ministers' pension fund (URCMPF)

Basic Information

Contact name and email address	John Ellis; treasurer John.ellis@urc.org.uk
Action required	Decision
Draft resolution(s)	<ol style="list-style-type: none"> 1. Mission Council, acting on behalf of General Assembly, agrees that the new URCMPF Trust Deed and Rules be signed on behalf of the United Reformed Church by the Moderator and clerk of Assembly. 2. Mission Council, acting on behalf of General Assembly, delegates the actions specified in Appendix 1.1. 3. Mission Council, acting on behalf of General Assembly, adopts the practice for early leavers from the URCMPF specified in Appendix 2.
Alternative options to consider, if any	

Summary of Content

Subject and aim(s)	The paper describes the rationale for, and contents of, a proposed new URCMPF Trust Deed and Rules and seeks agreement to their execution.
Main points	In order to correct issues with the Ministers' pension fund rules and produce a simplified and robust document for future use, a completely new Trust Deed and Rules has been produced. Three specific matters are highlighted concerning the delegation of responsibilities, the determination of early leaver benefits and the treatment of same-sex spouses.
Previous relevant documents	Paper K4 for May 2013 Mission Council.
Other relevant documents	The proposed Trust Deed and Rules. Paper to URCMPT Ltd describing the changes. Letter from Actuary confirming no significant cost to the fund.
Consultation has taken place with...	URC Ministers' pensions Trust Limited Pensions Executive Travers Smith (legal advisers to URCMPT Ltd) AON (actuarial advisers to URCMPT Ltd)

Summary of Impact

Financial	Insignificant cost; reduction of financial risk.
Ministers	No adverse effect on scheme benefits.
External (e.g. ecumenical)	

New Trust Deed and Rules for the URC Ministers' pension fund

Background

1. At the May 2013 Mission Council, an amendment was made to the Rules of the URCMPF to resolve the more pressing of a number of issues that had arisen in implementing the benefit changes as at 1 January 2013.
2. The directors of the URC Ministers' pension fund trustee subsequently decided to commission Travers Smith, their legal advisers, to produce a new Trust Deed and Rules to fully replace the current documents dating from the early 1980s.
3. Whilst aiming to replicate the benefits provided under the current rules, the new document resolves all known issues with those rules including the removal of obsolete provisions and inclusion of up-to-date legislative requirements. The modern and simplified structure and accessible language of the new rules should form a sound basis for the Fund for a substantial further period. However there are three areas of which Mission Council may wish to take particular note.

Delegation

4. The current Rules place some of the responsibilities of the 'employer' (as the Church is regarded under pensions legislation), as opposed to those of the trustee, upon 'General Assembly' and others on the 'Maintenance of the Ministry Committee'. In the new Rules all of these responsibilities lie with the 'United Reformed Church' and it is proposed that a number of day-to-day actions in the operation of the fund are delegated as set out in Appendix 1.1.
5. For information, a similar approach has been taken to the delegation of the trustee's day-to-day responsibilities as described in Appendix 1.2. All these delegations reflect current practice.

The effect on members' benefits

6. The problems identified in 2013 mostly concerned the application of the statutory revaluation of preserved benefits for early leavers from the fund. Our legal advice is that there remains some ambiguity in precisely how this requirement should be applied. The approach that we have been advised to adopt, and which Mission Council is asked to approve, is described in Appendix 2.
7. Associated with this, the new rules include a simplification to early leavers benefits whereby all leavers with at least three months' service gain the same deferred pension benefit; previously a lower level had applied to those with under two years' service. Members leaving in their first three months only gain a refund or transfer of their own contributions.
8. Other minor changes include: in future the rules will permit the legislative maximum of 25% of the value of members' benefits to be paid in tax-free cash at retirement; clarification of death benefits for members who defer taking their pension; clarification that members may only re-join the fund up to age 68. Full details are included in the paper submitted to the trustee.

Same-sex spouse benefits

9. At present (and as decided by General Assembly in 2006) the civil partner of a deceased member, in accordance with the legislative minimum, receives a spouse's pension and the benefit of any AVC contributions in respect of the period from 5 December 2005. Now that there is the possibility of same-sex spouses, we have been advised by Travers Smith that they should be granted the same benefits as civil partners pending a government decision on whether either of these should be given any further rights.

Further information

10. The new rules have been written by Travers Smith in line with instructions from the pensions executive convener and have been reviewed by the fund actuary. A note describing all the changes and tracking the old to the new rules has been given to the directors of the pension fund trustee and is available to download at <http://www.urc.org.uk/about-mission-council/65-general/mission-council/1528-november-2014.html>.

11. The new Trust Deed and Rules and a letter from the actuary to the fund confirming that there is an insignificant impact on the financial position of the fund are available for download at <http://www.urc.org.uk/about-mission-council/65-general/mission-council/1528-november-2014.html>.

12. The directors of the trustee have reviewed and are content with the new Trust Deed and Rules, but the power to make changes resides solely with General Assembly, provided a report on the financial effect has been obtained from the actuary.

Resolutions

- 1. Mission Council, acting on behalf of General Assembly, agrees that the new United Reformed Church Ministers' Pension Fund Trust Deed and Rules be signed on behalf of the United Reformed Church by the moderator and clerk of Assembly.**
- 2. Mission Council, acting on behalf of General Assembly, delegates the actions specified in Appendix 1.1.**
- 3. Mission Council, acting on behalf of General Assembly, adopts the practice for early leavers from the URCMPF specified in Appendix 2.**

Appendix 1 – Recommended Delegations for the URC Ministers’ Pension Fund (URCMPF)

The new Trust Deed governing the URCMPF is between the United Reformed Church (URC) and the United Reformed Church Ministers’ Pension Trust Limited (the Pension Trustee). Reflecting the position under the current rules, the new Rules define the powers and responsibilities of the URC and the Pension Trustee. While the current rules currently place responsibility for some matters on the ‘Maintenance of the Ministry Committee’ (ie the MoM sub-committee of the ministries committee) in practice many other matters have been informally or formally been delegated, predominantly to the Pensions Executive. It is proposed that in conjunction with the new rules Mission Council (acting for the URC) and the Pension Trustee formally adopt the delegations set out below.

1.1 The URC delegates the following actions and responsibilities in relation to the URCMPF:

Rule	Summary of action/responsibility	Delegated to:
1.1	Acceptability of suitable occupation (for ill-health rule purposes)	Pensions Executive
2.1.3	Admission of a late joiner	Pensions Executive
2.4.4	Permission for buying back temporary absence and authorising associated URC contributions	MoM sub-committee
6.5.9	Service credit for ill health pension purposes when engaged in ecumenical work	Pensions Executive
7.6.5	Annual review of the level of dependent children’s benefits	MoM sub-committee
15.1.1	Consent for new participating body	Pensions Executive

1.2 The Pension Trustee delegates the following actions and responsibilities under Rules 15.7 and 15.9:

Rule	Summary of action/responsibility	Delegated to:
2.1.3	Permission to enter fund late	Pensions Executive
2.2.2	Retention of full pension basis on reducing scoping	Pensions Executive
2.4.2	Determining the benefits for some re-joiners	Pensions Executive
2.4.3	Agreeing to the aggregation of service for re-joiners	Pensions Executive
2.4.4	Buying back service after temporary absence	Pensions Executive; the MoM sub-committee will act for the URC
5.2.4	Determining the rates of return on AVCs	Chief finance officer
5.2.7	Agree deferment of AVC at Retirement	Pension fund manager
6.5.1	Judgement of initial ill-health evidence	Pensions Executive
6.5.2	Review of state of health of member receiving ill-health pension	Pensions Executive
6.5.3	Judgment on ill-health status; judgement of employment capability; suspension or reduction of pension	Pensions Executive
6.7.2	Applying serious ill-health or trivial commutation rule	Pensions Executive
7.6.1	Recipient of children’s pension	Pensions Executive

7.6.6	Eligibility for children's pension	Pensions Executive
10.5	Recipient(s) of funds under discretionary trusts	Pensions Executive
10.8	Dealing with an incapacitated beneficiary	Pensions Executive
15.6.4-7, 15.6.11, 15.6.14	Appointment of fund manager; appointment of custodian; preparation of statement of investment principles	The Trustee Board on the recommendation of the URC investment committee
15.7	Management of the relationship with fund managers; rebalancing of assets	URC investment committee
15.8, 15.9	Administration of the fund and all member communications including disclosure	Pension fund manager advised by the actuary
15.9	Financial record keeping and transactions	Chief finance officer
17.1.2.2	Treatment of partial transfers	Pensions Executive

Appendix 2 – The application of statutory revaluation to early leaver benefits

1. There is a statutory requirement to preserve the value of early-leavers' benefits up to 'normal pension age' ('NPA', as defined in legislation), through the application of statutory revaluation; this is complex following the change to NPA (as defined in the Rules) from 1 January 2013.
2. Due to ambiguity between the Pensions Scheme Act 1993 and Occupational Pensions Board guidance, Travers Smith cannot tell us without doubt what the statute requires and so have recommended an approach that is 'not obviously at odds with the current rules and is sensible in that it attempts to provide a way forward on revaluation without entrenching any entitlements in excess of the statutory requirements'.
3. They therefore propose that:
4. The rules state that deferred pensions are to be increased by the percentage required by the Revaluation Requirements (defined as the legal minimum), or such higher percentage as is agreed by the URC and Pension Trustee (this is therefore consistent with the current rules).
5. Separately, the URC and the Pension Trustee would agree the method of calculating deferred pensions to be applied until further notice.
6. This approach has been reflected in the new rules at 8.1. The following sets out the statement which is to be agreed between the URC and the Trustee:
7. 'Pension accrued up to and including 31 December 2013 should be revalued to age 65 and then increased over the period to Normal Pension Age in accordance with Rules 6.4.1.1 and 6.4.1.2. Pension accrued after 31 December 2013 should be revalued to Normal Pension Age.'
8. The Board is asked to approve this statement for use with the new Rules.

