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PRIVATE AND CONFIDENTIAL

Trustee of the United Reformed Church
Ministers' Pension Fund
c/o Ms S Hallam-Jones
The United Reformed Church
86 Tavistock Place
London
WC1H 9RT

Dear Trustee

United Reformed Church Ministers' Pension Fund (the 'Fund') – New Trust Deed and Rules

Background

I have been passed on 6 October the penultimate draft of the new Trust Deed and Rules. Final amendments are being prepared and a final version will be presented to Mission Council for approval.

Chris Evans' note to the Trustee dated 1 October 2014 summarises the intentions behind the more notable changes that are to be adopted in the new Trust Deed and Rules.

Rule 34.1 of the current rules requires that the Fund's Rules may only be changed by the authority of General Assembly and only after a report on the financial effect on the Fund has been obtained from the Actuary.

This letter constitutes my report to the Trustee for the purpose of Rule 34.1. A copy should be made available to Mission Council so Mission Council can be satisfied that the requirement of rule 34.1 has been complied with and also to enable Mission Council to determine whether to take its own advice on the matters addressed in this letter.

Summary of Changes

The changes are summarised in Chris Evans' note. You will see that with the exception of the change to the benefit that is provided to an early leaver who has between 3 months and 2 years of Pensionable Service, the new Trust Deed and Rules does not implement any other changes to benefits other than in certain instances to bring the Rules in line with the way the Fund has been administered in practice and understood to operate or to correct errors in the previous Rules.

The change to the early leaver benefit (for a member who has between 3 months and 2 years of Pensionable Service) is to provide such a member with a deferred pension using the same calculation approach as is adopted for a member with more than 2 years' Pensionable Service. In the existing Rules the deferred pension (for a member who has between 3 months and 2 years of Pensionable Service) is calculated as a pension that is actuarially equivalent to the contributions paid by the member.

Advice

The change to the early leaver Rule for members leaving with between 3 months and 2 years of Pensionable Service will provide any future such members with a more valuable deferred pension, but at a practical level, it is not anticipated that this change will have any material impact on funding requirements towards the Fund. Indeed, during my association with the Fund which stretches back to ca. 1998 I cannot recall ever having processed a deferred pension calculation for a member leaving with between 3 months and 2 years of Pensionable Service.

As an illustration of the potential associated costs to the Fund that may emerge over time, in a worst case scenario when someone leaves the Fund just before Normal Retirement Age and just before completing 2 years' Pensionable Service then the Fund will be awarding a pension of ca. $2/80 * £24,500 = £600$ pa, which very roughly has a value of around $20 \times £600 = £12,000$, compared to a pension equal in value to two years' contributions of $2 \times 7.5\% \times £24,500 = £3,700$ and so the cost to the Fund in such an example would be around £8,000. By adopting this change, the Fund would avoid the cost it would otherwise incur in obtaining the actuarial advice required under the current early leaver Rule for members leaving with between 3 months and 2 years of Pensionable Service.

I confirm that the changes implemented by the new Trust Deed and Rules will not alter the funding calculations I will be undertaking as part of the 1 January 2015 actuarial valuation of the Fund.

Compliance

The Financial Reporting Council's "Technical Actuarial Standard R: Reporting Actuarial Information" (TAS R), "Technical Actuarial Standard D: Data" (TAS D), "Technical Actuarial Standard M: Modelling" (TAS M) and "Pensions Technical Actuarial Standard" (Pensions TAS) apply to this letter and the work relating to it, and when taken together with the document listed below have been complied with.

- My report dated 16 January 2013 on the 1 January 2012 actuarial valuation of the Fund.

Please contact me should you require any clarification or further information.

Yours faithfully



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