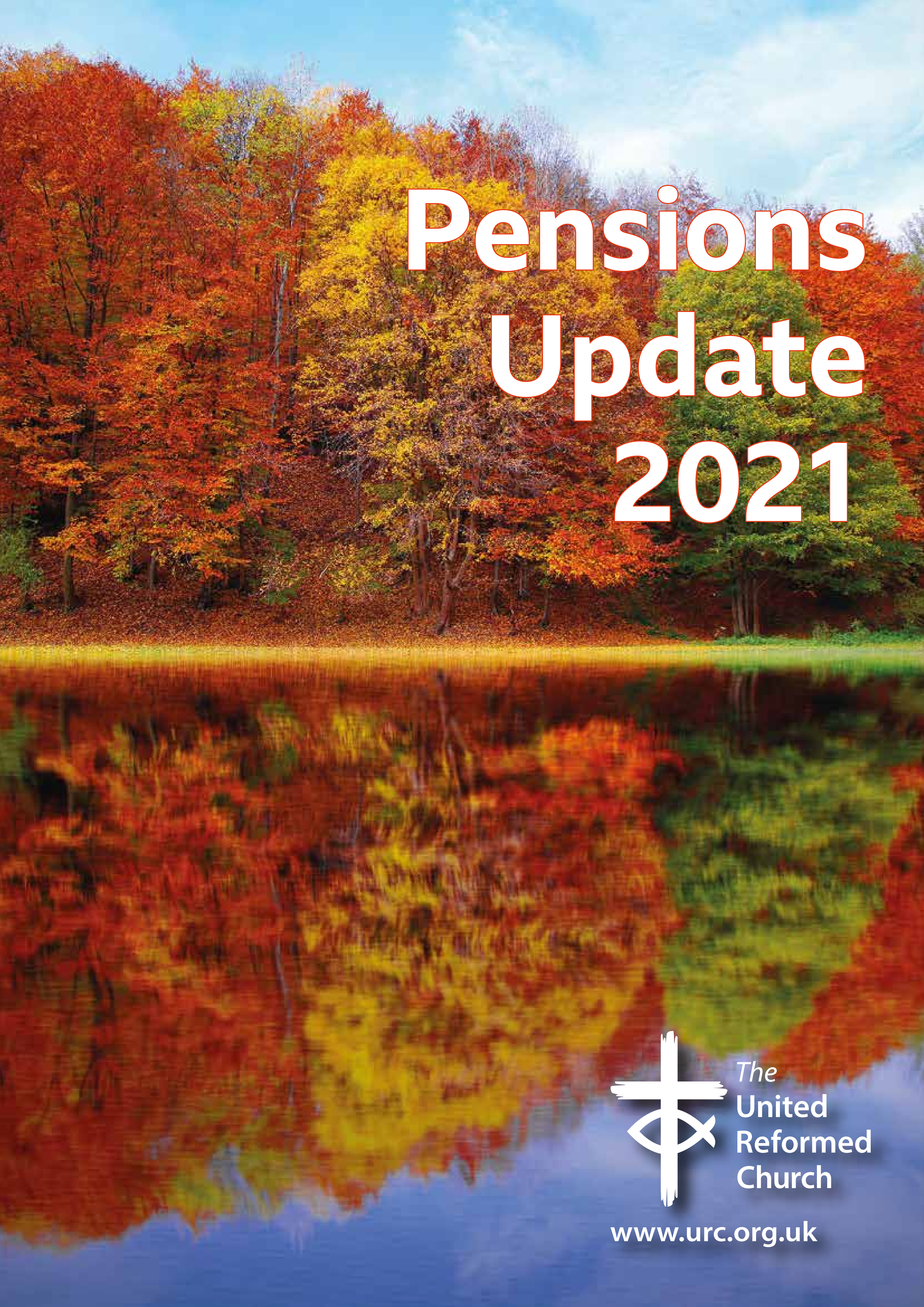
Pensions Update 2021



The United Reformed Church

www.urc.org.uk

Pensions Update

United Reformed Church Ministers' Pension Fund

The United Reformed Church

Welcome

As the Chair of the Ministers' Pension Trust, it is my pleasure to welcome you to the latest edition of the Fund's annual newsletter.

Last time I wrote to you, we had all just started on the first lockdown. Now, after a year dominated by the Covid pandemic, we can begin to see the signs of a "new normal" as the economy begins to recover, and our churches open up to a new mix of online and in-person worship and activity.

Despite the restrictions imposed by the pandemic, this has been a very busy year for the Board.

We have continued to work with our advisers on our long-term funding strategy. As I highlighted last year, the Pensions Regulator is increasing its demands, especially for mature defined benefit (DB) schemes like ours, which has required us to adopt a much more prudent approach to valuing our liabilities. The initial results of the 2021 actuarial valuation indicate that this has produced a large deficit and more than doubled the cost of accruing future benefits for those still in active ministry.

It has been for the Church, wearing its employer's hat, to agree a response to this funding challenge and the Board has followed closely the detailed conversations that Ian Hardie and John Piper (URC Treasurer and outgoing Deputy respectively) have held with the synod trusts and the URC Trust to secure a funding solution. The Board has been very humbled by the extraordinary generosity of the trust bodies and we are grateful for all the continuing work being done on the funding solution.

The longer-term funding offered by the Church family will also cover the money we need as a result of our regular triennial fund valuation. As the actuary's report explains, we are undertaking a full valuation of the fund as at 1 January 2021 and while the initial results of this valuation are slightly better than expected, the application of a more prudent discount rate to our liabilities means the Fund will require formal deficit contributions from the Church for the next few years. Due to the collaborative work done with the trusts, however, the funding promised to the Ministers' Pension Fund (MPF) will be able to deal with the deficit, as well as advance the Fund towards its long-term funding target. For the next six months, the Board will be working very closely with the Treasurers to complete all the documentation for the valuation, including a formal assessment of the strength of the employer "covenant" – i.e. the legal arrangements that underpin the Fund. We are confident that our covenant advisers will be able to take a view that is sensitive to the differences that a church context presents compared to what one would find in a commercial context.

Readers will likely be aware that General Assembly has now voted that in principle the DB scheme shall shut to future accruals. The Board will therefore also be working very closely with the Church Pensions Committee as it prepares for this step to ensure that together we look after members' interests.

Looking forward, we will be turning attention to updating our investment strategy to reflect the next stage in the MPF's journey. We will continue our strong ethically-based approach to our investments – and this is described in our Engagement Policy Implementation Statement (EPIS) which we are now required to publish. (The EPIS is on the URC website, pensions section along with a more informal "explainer", which was also added to the website before General Assembly.) With big events like COP26 coming up, and many other issues causing increasing concern, the Trustee will be maintaining close and regular contact with the Fund's various managers to keep them on their toes, and ensure we stay ahead as thought-leaders on ethical investment issues (see the Ethical issues section, p.11).

I complete my review of the year by noting changes on the Board. Richard Nunn stepped down as Deputy Chair after ensuring a full handover to me, with Lyndon Thomas taking his place. John Piper, having led the conversations with the synod trusts, ended his term as Deputy URC Treasurer at General Assembly, and therefore leaves the Board. We are enormously grateful to John for all he's done; for carrying the responsibility of bringing the various Church bodies together to get agreement on a funding solution and for his persistence and determination to ensure a good "family" agreement. We welcome Vaughan Griffiths as he joins the Board as new Deputy URC Treasurer.

Finally, I would like to take this opportunity to express my thanks to all the Board members for the time and energy they have given over this year and for their patience in managing our meetings – some of them very long – online. I am also very grateful for the additional efforts that they have made for MPT sub-committees and special meetings this year. I remain greatly indebted, as always, to our Company Secretary, Sandi Hallam-Jones, for her wise guidance, and the Church House pensions team for their excellent and committed support.

With best wishes,

Bridget Micklem

Bridget Micklem, Chair

The United Reformed Church Ministers' Pension Trust Limited
86 Tavistock Place, London WC1H 9RT

The **United Reformed Church**

www.urc.org.uk

Trusteeship

Currently, the Directors of the United Reformed Church Ministers' Pension Trust Limited are:

The Trustee Directors marked □ are also members of the Pension Fund. Those marked ◊ are ex officio members. Those marked + were nominated by members of the Pension Fund.

Statement by the Actuary

A triennial actuarial valuation of the Pension Fund is being carried out as at 1 January 2021 and the outcome of that valuation will be communicated to you in next year's Pensions Update. The actuarial valuation involves reassessing the Pension Fund's liabilities and agreeing an appropriate plan to eliminate any deficit, as well as determining the level of Church contributions required to fund contributory Ministers' future pension accrual.

In the meantime, the most recent annual update of the funding position that we are able to communicate to you remains the 1 January 2020 update. The Annual Summary Funding Statement included in this Pensions Update summarises the results of the 2018 valuation and the two subsequent annual updates of the funding position.

This three-year inter-valuation period has been a challenging one in many ways, with the effect of Covid on investment markets causing a large dip in the Fund's assets during 2020, and gilt yields continuing to fall, causing the Fund's liabilities to increase. The Trustee has managed this risk well, investing a substantial proportion of the Fund's assets in index-linked gilts, helping protect the Pensions Fund's funding level against the fall in yields. In addition, the ethical investment mandate run by the Fund's equity (i.e. stocks and shares) manager has weathered recent market volatility well, and in fact has delivered strong returns over the three-year period.

As described in the Chair's welcome note, pressure from regulatory authorities has meant that the Trustee is making a more prudent assessment of the Fund's liabilities at this valuation meaning that, despite the good work done since the 2018 valuation, there will in this valuation be a substantial step increase in the Fund's liabilities. The Trustee and Church are working together to secure the increased levels of funding required by the more prudent valuation, and I am hopeful that the 2021 valuation will be signed off in December this year.

I continue to work with the Trustee to ensure that the benefits that you have built up in the Pension Fund are exposed to manageable levels of risk and remain secure.

Simon Corbett FIA, Scheme Actuary

Financial progress of the Pension Fund

A summary of the Pension Fund's income and outgoings in the year to 31 December 2020 is detailed below. A full set of the audited accounts, which is expected to receive an unqualified audit opinion, is contained in the Trustee's Report and Accounts for 2020, a copy of which is available on request.

Over the course of the year, the Pension Fund's investments increased by £18 million to £174.4 million.

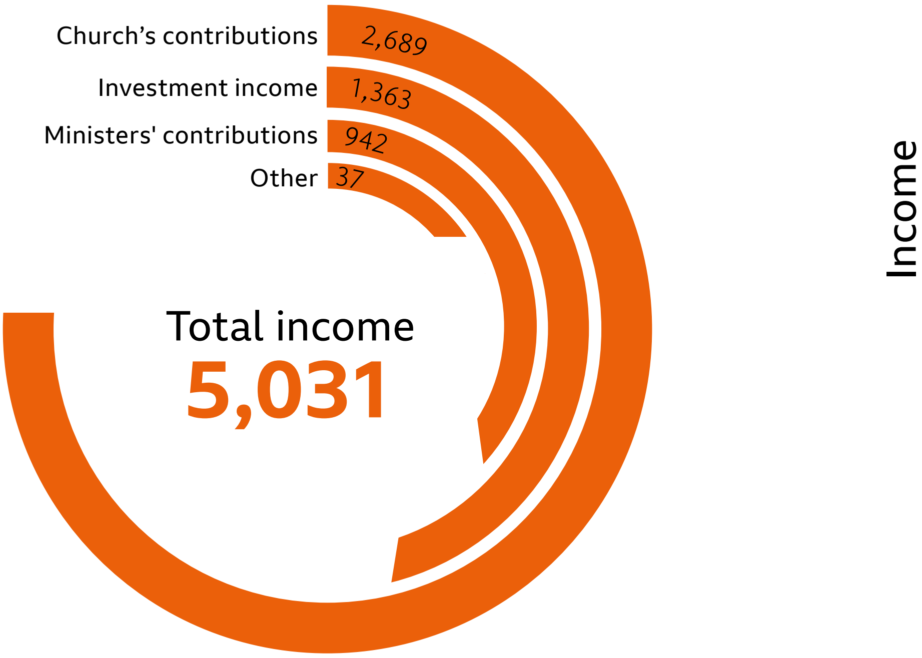
Fund at 1 January 2020: £156,426

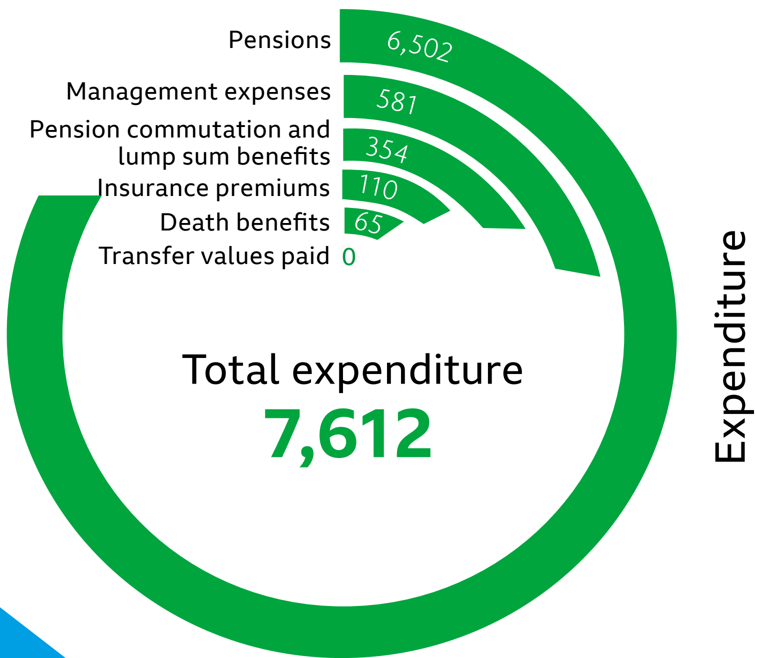
All figures are in £000s

Increase in market value of investments: £20,604

For reference:

- Current number of ministerial pensioners/ beneficiaries: 938
- Current number of active/ deferred pensioners: 467
- Transfer values represent monies which leave the Pension Fund when a member joins another scheme or monies brought into the Pension Fund when a new member joins from another scheme
- Management expenses comprise mainly fees to advisers (e.g. the Investment Fund Managers)
- Pension commutation is lump sums paid on retirement to members who decided at retirement to exchange part of their pension for a lump sum payment





Fund at 31 December 2020: £174,449

Future pension benefits

At the July Assembly of the URC a number of resolutions were passed which empowered the Church to consider alternative ways to provide for the future benefits of members. The burden of this task lies with a number of experienced pensions specialists and church officers from six different synods. This group is now seeking a provider who will, in partnership with us, develop a high-quality, sustainable solution which is acceptable to the Church at all levels. Benefits for members which have been earned by virtue of their participation in the scheme up to the date of change, which will not be before 31 December 2022, will be protected.

We will continue to keep you informed of anything pertinent to the MPF, for example whether and how closure affects the security of benefits already accrued in the Fund. For those of you who are active members of the Fund, the Church will hold a full consultation on any proposed changes to future pensions provision.

Richard Nunn, Convenor of the Pensions Committee

Update on Church support for the Pension Fund

As members know, the way the current pension scheme (MPF) works is that the Employer – in our case the United Reformed Church – stands behind the pension promise that is made to members. This commitment has been made explicit in the resolutions of General Assembly and in a legal guarantee provided by the URC Trust in respect of the URC's obligations to pay current contributions and, if necessary, deficit contributions.

Of course, behind this is the regular and sacrificial giving of local churches to the Ministry and Mission (M&M) Fund from which the employer contributions are made. In 2020 the total contribution from churches and synods was £17.9m (2019: £18.8m) – a remarkably generous response in the midst of enormous Covid disruption. Around 10% of this was used to make contributions to the MPF.

The MPF is governed externally by the Pensions Regulator and, as John Piper noted last year, the Regulator's requirements are becoming more burdensome each year, particularly for schemes like ours. Add to that the continuing historic low investment returns which we have seen for a number of years (and which are forecast to continue), and we find ourselves squeezed from both directions with ever-increasing calls (from the Regulator) for additional funding and, from our perspective, no longer being able to justify the MPF as good value for money in its present form.

This is why the Finance Committee of the URC brought resolutions to General Assembly 2021 to commit money and resources to designing new pension arrangements for ministers, CRCWs and staff. Having secured that agreement in July, a lot of work is required to put a new scheme together which it is hoped will be presented to the 2022 General Assembly. As a church we are blessed in having a number of people with significant relevant skills prepared to take this major project on. Our aim is to create a new scheme that provides a generous but financially realistic pension scheme for those already in the MPF and for those who will join it in the future.

It is important to stress that members who have already retired will not be affected by these changes and that the pensions already earned by active members will also be protected. Any changes can only affect pensions earned in the future. The earliest date that any changes will be effective is 1 January 2023 and that will only happen after a full consultation with active members of the MPF.

Vaughan Griffiths, URC Deputy Treasurer
John Piper, immediate past URC Deputy Treasurer

Annual summary funding statement

It is a requirement under the Pensions Act 2004 that every year the directors issue members with a summary funding statement.

The 2021 summary funding statement is detailed below:

Summary funding statement made in accordance with the Scheme Funding Regulations 2005/3377

This statement relates to the actuarial valuation carried out as at 1 January 2018 and the subsequent report prepared by the actuary on the development of the funding position over the following two years.

In accordance with legislation, an ongoing valuation was carried out as at 1 January 2018. This assumed that the Pension Fund would continue with the Church's contributions being made at the recommended levels.

The valuation showed the Fund had assets of £140.0m and liabilities of £144.0m, resulting in a funding level of 97% (and a deficit of £4.0m).

The Deficit Recovery Plan agreed by the Trustee and the Church as part of the 2018 actuarial valuation was that the Church contributes £565,000 p.a. of deficit contributions over a deficit recovery period of 6 years, 6 months from 1 January 2019. These payments will increase on 1 January each year in line with the percentage increase in a minister's stipend. The deficit contributions payable by the Church equate currently to approximately 5.6% of total stipends. The Church made an additional contribution during 2019 of £1.5m which was intended to further improve the financial strength of the Fund.

In addition to the deficit contributions, the Church contributes to the Pension Fund at a rate of 21.95% of stipends to fund the benefits which continue to accrue to contributing ministers. Ministers contribute at a rate of 7.5% of stipends.

As a sign of its support to the Pension Fund the United Reformed Church Trust has given the Pension Fund a guarantee of up to £16m, backed by the assets of the Trust, in respect of the URC's obligation to pay any outstanding contributions under the current Schedule of Contributions. Such a guarantee would only be called upon if the Church were unable to make its contributions to the Pension Fund.

The Trustee has received a report from the Actuary on the developments that have affected the Pension Fund over the two years since the 1 January 2018 valuation date. Without having undertaken a full valuation as at 1 January 2020, the Actuary estimates that the Pension Fund's assets exceeded the technical provisions by £3.1m, representing a funding level of 102%.

	1 January 2018	1 January 2019	1 January 2020
Assets	£140.0m	£141.1m	£156.4m
Liabilities	£144.0m	£146.0m	£153.3m
Surplus/(Deficit)	(£4.0m)	(£4.9m)	£3.1m
Funding level	97%	97%	102%

The improvement in the funding position during 2019 was primarily due to the investment return on the Pension Fund's assets having been higher than expected over the period, along with deficit contributions made by the Church. The Fund's liabilities increased over the year, due to a fall in gilt yields, but this was broadly matched by the Fund's investment in index-linked gilts.

The Pension Fund continues to invest approximately 60% of its assets in a pooled fund of index-linked bonds. The remainder of the assets are primarily invested in an actively managed portfolio of equities and an allocation of around 10% of the assets to a property pooled fund.

As they are required to do, in the 1 January 2018 valuation, the Actuary also considered the hypothetical situation of the Pension Fund winding up on 1 January 2018. This is based on the assumption that the assets are invested in appropriate insurance policies at that date. On this basis the Actuary estimated that the assets would have been sufficient to meet approximately 66% of the liabilities. It is a statutory requirement that all pension schemes include this information in the Summary Funding Statement and the Trustee would like to stress that there is no intention to wind up the Pension Fund nor to purchase annuities on terms currently available from insurers. We also have a statutory obligation to inform you that if the Pension Fund were ever to wind up at a time when the Church did not have sufficient funds to cover the cost of buying out members' benefits with an insurance company, the Trustee would apply for admission to the "Pension Protection Fund" set up by the Government, which should meet a significant part of the benefits due to members.

No payments have ever been made to the Church or any other employer associated with the Pension Fund under the terms of Section 37 of the Pensions Act 1995, which permits such payments in certain circumstances. The Pension Fund has not been modified by The Pensions Regulator under Section 231(2)(a) of the Pensions Act 2004, nor is it subject to any directions by The Pensions Regulator under Section 231(2)(b) of that Act or bound by a Schedule of Contributions imposed by The Pensions Regulator under Section 231(2)(c) of that Act.

Should you have any questions on this statement or more generally then please contact Rob Seaman at Church House, 86 Tavistock Place, London, WC1H 9RT from whom further information is available.

2020 investment report – A rocky year

We continue our policy of dividing our investments into three categories:

- Index-linked bonds to match our pension liabilities in relation to interest and inflation risks
- Equities to deliver the growth of funds needed to meet liabilities
- Property to give steady returns

The target we set ourselves was to have 60% of our assets in index-linked guilt-edged securities which match the likely liabilities of the fund, 10% in property and 30% in equities. The reality at the end of 2020 was that because our equity funds had produced significant growth, the percentages were 54% in gilts, 8% in property and 37% in equities, with the remaining 1% in cash.

We resolved in our early 2020 meeting of the Investment Committee to commit ourselves to looking at the way our investments are shared whenever we differed from our target by more than 10% of the intended share. We held off making changes in our portfolio in 2020 because of the uncertainties of the marketplace.

All our investments have performed close to expectations despite fluctuations and uncertainties in equity markets. The types of equities that we hold are those that are not likely to be significantly affected by the outcome of Brexit but could potentially be impacted by a global slow-down in trade, driven by the protectionist measures originating in the United States of America.

Our ethical investments no longer operate with exclusions but are based upon assets that will hold their values and offer growth in the 21st century. By their nature these are likely to exclude those investments we would not wish to hold. We continue to use our membership of the Church Investors Group, and URC General Assembly Ethical Principles, to guide our governance of Newton Investment Management (NIM) who manage the Fund's equity investments on our behalf. We continue to encourage our investment managers to take a stronger line on holding companies to account for their actions in relation to ethical, social and governance issues as well as sustainability.

Our property holdings have held up much better than industry norms as our managers have limited exposure to the retail and hospitality sectors which have been so severely affected by the Covid pandemic. Both capital values and rental incomes have held up well. Our managers are also actively involved in upgrading properties when vacant to improved standards of insulation, power and heating, and providing updated networking infrastructures.

One of the major issues for 2021 and beyond is the impact of climate change on the sorts of companies that we invest in. There is considerable pressure to look very carefully at those industries that contribute to climate change to see whether they are taking the sort of steps that as responsible and ethical investors we should expect. We need to encourage further development of alternative strategies for energy production and distribution. We are also encouraging our investment managers to seek to find companies that are willing to seek new methods for energy and travel.

From the performance view, equity markets continued to rise driven by an excess of cheap money. UK Government index-linked bond yields, which drive the calculations of the Fund's liabilities (lower yields equate to higher liabilities and vice versa), have continued to be poor value and with low income. Bonds ended 2020 roughly where they started, still at historically low levels.

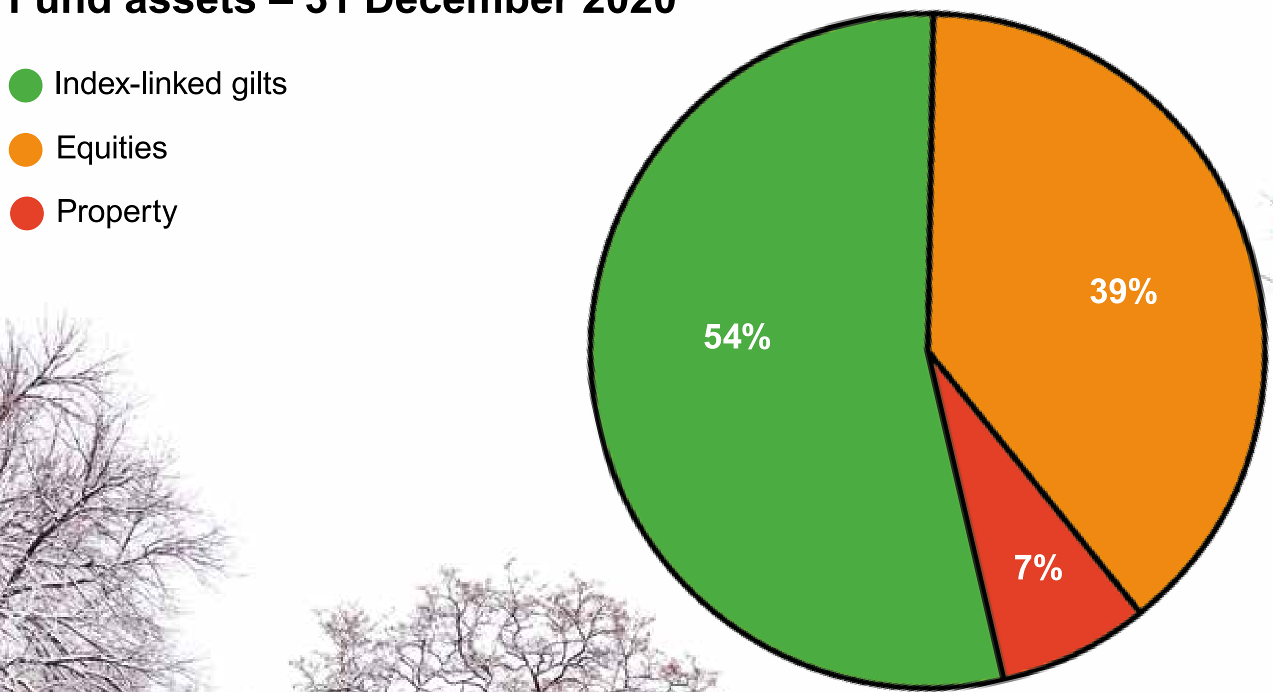
Thanks to the strong equity returns up to the end of 2020, the net effect of everything was a steady reduction in the pension scheme deficit calculated on the ongoing basis that was adopted in the 2018 actuarial valuation. Assets grew faster than the value of our accrued liabilities. Our equity investments were largely immune from the fluctuations of the market and have performed well.

What happens next? The biggest uncertainty lies around the guidance from the Pensions Regulator who wants all Pension Funds to be isolated from needing contributions from their sponsoring organisations, and to be well insulated from potential disruptions to the financial markets. The policy which the regulator wishes us to adopt for Defined Benefit schemes like ours is to be risk averse. Limiting exposure to risk means reducing growth and income expectations. The Pensions Regulator has made it clear that the discount rate of 2.2% used for our assets is much too high and we are being strongly encouraged to reduce our expectations. This means lower returns on our assets and therefore a need to strengthen our assets, whilst using lower expectations of growth. This may mean some changes to our portfolio in 2021 or 2022.

It is impossible to predict what will happen, but the steps we have taken to date should reduce the impact upon us.

As described earlier, the Fund's target allocation remains 60% in index-linked government bonds, 30% in equities and 10% in property. At the end of 2020 the actual shares were 54.1% in index-linked government bonds, 38.5% in equities and 7.4% in property.

Fund assets – 31 December 2020



Ethical issues

The URC Ministers' Pension Fund (MPF), despite being small relative to the wider market of investors, continues to be active on ethical issues, aiming to stay "front-of-the-pack" in relation to ethical investment.

We do this in two ways.

First, we use our membership of the Church Investors Group (CIG) to share current thinking on ethical issues with our ecumenical partner churches. The CIG has 70 members, mainly from the UK[1] and Ireland but also from overseas – e.g. Canada, Norway and Germany. I have now inherited Richard Nunn's seat on the CIG Board, and so have been helping to shape the agenda for the group. The CIG continues to focus strongly on climate change issues as we lead up to COP 26 – and we were delighted to have Lord Deben, Chair of the Committee on Climate Change, as our key note speaker at the summer members' meeting. However, we have also recently been encouraging church investors to seek more engagement with their fund managers, following up earlier work on gambling, modern slavery and concerns about supply chains. Our latest campaign is on living hours (see **https://bit.ly/3o0vOau**). This is part of CIG's programme of work on "just transitions", which is aimed at ensuring that, as economies develop new ways of working (including through the introduction of AI), the human cost/consequences are kept firmly in mind so that investment can follow good practice rather than exploitation.

The second way we work on ethical issues is through our relationship with fund manager Newton Investment Management (NIM). Our ethical "explainer" (see the URC pensions website **https://bit.ly/3tVPEok**) sets out how we chose NIM as our fund manager as the practical way of translating the MPF's ethical policy into practice. I work closely with Richard and with Dick Gray (as chair of URCIC) to hold regular in-depth conversations with NIM, not only to ensure we are holding them to account on their mandate, but also to help seed new thinking with them, and understand the latest of their ethical investment research/development work. We are now increasing our exposure to the NIM senior team, e.g. with follow-up conversations with Andrew Parry, Head of Sustainable Investment at NIM. To underline to him the importance of our ethical agenda, I shall also be meeting NIM's new CEO, Euan Munro, in the autumn. Richard maintains a similar close and productive relationship with Fidelity and their managers, who are responsible for our property portfolio.

New regulations introduced last year required trustees of defined benefit schemes to produce an Engagement Policy Implementation Statement (EPIS), which sets out how the trustees have put their statement of investment principles (SIP) into practice. Ours was published on the website (same URC address as above) just before General Assembly along with the "explainer".

I remain very grateful to Richard Nunn, whose passion and enthusiasm for ethical investment issues has ensured this thinking is hard-wired into the Board's considerations. I look forward to another productive year on ethical investment for 2021/2.

Bridget Micklem, Chair

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1 Including in their own right the URC Trust and the synod trusts of the URC's Eastern, South West and Wessex Synods

Flexible benefits

A number of new flexibilities were introduced following the Government's budget in 2014. We reported these in previous editions of Pensions Update, but here is a brief reminder.

Small pension 'pots'

If you have only built up a small level of benefit in the Pension Fund (or across several schemes), you may be able to draw it all as a cash sum after you have reached your 55th birthday, instead of pension.

- **Single schemes**: you may take cash from a pension scheme if your benefits in that scheme are worth less than £10,000.
- **Your overall benefits**: you may take cash from a pension scheme even if your benefits exceed £10,000 in value, but only if the value of your benefits from all your pension schemes in the UK totals less than £30,000.

You can find out whether your pension falls within the commutation limits by contacting Rob Seaman at Church House, but to give you a very rough indication, a pension of £500 p.a. on retirement at age 65 or a pension of £400 p.a. payable from age 55 are likely to fall within the single scheme threshold of £10,000. For the £30,000 limit the pensions you will receive from all schemes must total less than £1,500 p.a. and in some circumstances the total may need to be lower.

Defined contribution (DC) flexibilities

These flexibilities apply to members of the Pension Fund who have paid Additional Voluntary Contributions (AVCs) into the cash balance scheme attaching to the Fund, and also apply to any DC pension savings outside the Pension Fund.

Briefly, there is now the scope to take the whole of your AVC fund as a lump sum, although depending upon your circumstances only part of it will be payable tax free. However, if you wish to take full advantage of the new flexibilities and operate your AVC fund in a similar way to a bank account, by drawing from it as and when you require funds, then you will need to transfer your AVC fund to a suitable provider. This is because, unfortunately, we do not have the administrative resources to provide this level of flexibility from the Pension Fund. If you wish to pursue a more flexible approach you are permitted to transfer your AVC fund out of the Pension Fund without transferring your final salary benefits.

The option of taking a tax-free lump sum from your AVC fund and purchasing an annuity in the Fund, or with an insurance company with the balance of your AVC fund, continues to be available.

In the light of the new pension flexibilities, the Government has launched a service called 'Pension Wise' (**https://www.pensionwise.gov.uk/**) to help guide people through their pension retirement choices.

Pension scams

There is a statutory requirement that you take financial advice before transferring your final salary benefits out of the Pension Fund if the transfer value is for more than £30,000. Even if your transfer value is under this threshold the Trustee strongly recommends you take independent financial advice from someone qualified to give that advice before taking any action.

The Pensions Regulator has also issued guidance which requires pension scheme trustees and administrators to carry out certain checks before making transfer payments. As part of this campaign, trustees and pension providers are being encouraged to raise members' awareness and to be alert to potentially fraudulent pension scams.

There are significant tax consequences when pension scheme members access their pension savings before age 55 (except in very limited circumstances) and these tax charges and penalties can amount to more than half the value of a member's pension savings. Therefore, in order to make an informed decision about a transfer and to seek any appropriate additional advice, it is important to have all relevant documentation and information about the transfer, the terms and conditions and how your pension will be paid on retirement.

The Pensions Regulator states that it is crucial that members understand any transfer they agree to and should always receive adequate documentation from the receiving scheme.

A leaflet providing advice on how to spot the warning signs of pension scams can be found on the Pension Advisory Service's website or by following the web address below. (**https://bit.ly/PASpensionScams**)

Flexibility over when you take your retirement benefits

The Pension Fund's Normal Retirement Age (NRA) is 68 for both males and females, with the exception of those members who opted out of the 2013 benefit changes and retained a Normal Retirement Age of 65.

You have flexibility in when you choose to take retirement benefits and in when you stop working. These do not need to be on the same date and the Finance Office can provide guidance on the financial implications of these options.

The level of benefits you receive is determined by when you choose to start receiving your pension:

- **Take retirement benefits at NRA**.
- **Take benefits early –** benefits can be taken between age 55 and 68 with a reduction applied to your pension for each year of retirement prior to NRA. The amount of tax-free cash will also be less than if you retired at NRA.
- **Take benefits late –** You may defer receipt of your benefits up to age 75. This will benefit from a late retirement enhancement, or additional service will build up if you remain in stipendiary service.

For members with service before 1 January 2013, this element of service is treated as having a NRA of 65, which means that on retirement at age 65 this part of the pension is not reduced.

Reduction in the money purchase annual allowance

The taxation authorities limit the amount of pension that you may build up each year without there being any additional taxation implications. This is called the Annual Allowance and amounts to £40,000. You may carry forward unused Annual Allowance from the previous three tax years. If the value of your pension benefits earned over a tax year (including any contributions you make to the Pension Fund's AVC arrangement or to any other pension plan) is greater than £40,000 (and you have no carry forward remaining), then a tax charge is payable on the excess over the Annual Allowance. The Annual Allowance tax charge is levied at your marginal income tax rate.

In certain circumstances a second, lower, Annual Allowance applies of just £4,000. This is called the Money Purchase Annual Allowance and this lower allowance applies to any money purchase pension savings you continue to make after you have started 'drawdown' access of any money purchase pension benefits that you may have already built up. 'Money purchase' pension benefits, in this context, include the Pension Fund's cash balance (AVC) scheme. Certain high earning individuals may also have their Annual Allowance reduced.

The low level of the Money Purchase Annual Allowance means you should be careful to factor it in to your planning should you plan to access any money purchase pension benefits (such as AVCs you have paid to the Pension Fund) using 'drawdown' provisions while continuing to make contributions to any money purchase pension arrangement. Please note that, if you are able to take the whole of your AVC benefits as a tax-free lump sum, then that does not count as 'drawdown' and would therefore not trigger the Money Purchase Annual Allowance.

If you have any concerns you may request further information from Rob Seaman at Church House. Should you require any advice then Rob will not be able to provide this and you should arrange to speak to a financial advisor.

New state pension

In April 2016, the old Basic State Pension and State Second Pension were replaced with a single-tier State Pension. The new State Pension arrangement only applies to members reaching their State Pension Age from April 2016 onwards – existing State Pensions are unaffected.

The maximum entitlement under the new State Pension for the 2021/22 tax year is £179.60 per week for a single person.

To receive the full amount of new State Pension from your State Pension Age you will need 35 qualifying years, earned by either making National Insurance contributions or receiving National Insurance credits. If you have ten or more qualifying years, you will receive some level of the new State Pension.

Moving to non-URC posts

Members may not be aware that there can be pension implications if part of their role is for an organisation other than the URC. Therefore, if you are considering taking up a non-URC post please contact Rob Seaman to discuss the potential pension implications.

Personal data

In order to administer your pension benefits it is necessary for the Pension Fund to hold certain pieces of personal data. For further information see our Data Privacy notice, which can be accessed online (**https://bit.ly/DPNtemplate**). Alternatively, hard copies can be provided on request – see Further Information below for contact details.

Some reminders

The Pensions Regulator is the Regulator of work-based pension schemes in the UK. The Pensions Regulator's website has useful links via the Scheme Members section on the home page to a number of useful addresses (**www.thepensionsregulator.gov.uk**).

The Trustee and its advisers must hold certain information about you to ensure that the Pension Fund is managed efficiently. In order for the Trustee's records to be kept up-to-date, please notify the Pension Fund's administrators of any changes to your personal circumstances, for example a change of address or marital status. This will ensure the timely payment of pensions and enable the Trustee to keep you informed about any news affecting your benefits.

Members of the Pension Fund should also remember to keep their Expression of Wishes Nomination Form up to date. The Expression of Wishes Nomination Form is used by the Trustee to help decide who should receive the lump sum death benefit and in what proportions. Not having completed a form or failure to keep the form up to date could lead to a delay in settling death benefits. The appropriate form is available on request.

Further information

You can obtain further information on any items covered in this edition of *Pensions Update* and matters affecting your own pension by contacting Rob Seaman at Church House, 86 Tavistock Place, London, WC1H 9RT.

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Email: rob.seaman@urc.org.uk

The United Reformed Church

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