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## Sent by E-mail

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Dear Trustee Directors

### United Reformed Church Ministers' Pension Fund: New Rules

#### 1. Introduction

- 1.1 This letter of advice has been prepared for United Reformed Church Ministers' Pension Trust Limited (the "**Pension Trustee**") in connection with the adoption of the new trust deed and rules.
- 1.2 We understand that the new trust deed and rules are being presented to Mission Council in November for approval on behalf of the URC. Under the current trust deed and rules the consent of the Pension Trustee is needed to amendments to the trust deed, but is not required in relation to amendments to the rules. Because the new trust deed and rules will replace both the current trust deed and the rules, the Pension Trustee is required to agree to and execute the new trust deed and rules.
- 1.3 If approved and duly executed on behalf of the URC and the Pension Trustee, the new trust deed and rules will take effect from 1 January 2015.

#### 2. Basis of Preparation

- 2.1 We have assumed in preparing the new trust and rules that the current rules as amended up to and including 14 June 2013 represent an accurate statement of the benefits payable and current powers under the Fund and have not, unless required in connection with discussions with Chris Evans during the drafting process, reviewed historic documentation (or checked that it was validly executed).

**3. Structure of new trust deed and rules**

- 3.1** In accordance with your instructions the new trust deed and rules replaces all other documents governing the Fund and will govern all benefit entitlements under the Fund<sup>1</sup>. This approach is unusual, in that often when new rules are adopted for a scheme, the calculation and timing of benefits for members who have already left service remains subject to previous editions of the rules. We understand that this approach is possible because of the history of awarding benefit improvements to all members (including deferred members and pensioners) at the same time, which has resulted in a high degree of uniformity in benefit design.
- 3.2** Based on responses received to questions about historic benefits from the Fund administrators, we agree that this is a reasonable approach to adopt in relation to the new rules, but with your agreement, we have included a provision which makes clear that the adoption of the new trust deed and rules will not have the effect of requiring the recalculation of any pension already in payment or benefit that has already been paid<sup>2</sup>. This provision is designed to protect the Fund against the possibility that there are members with pensions in payment that were calculated on a basis which is less generous than that in the new rules.
- 3.3** The new rules include all of the constitutional powers and other provisions in relation to the Fund that are located in the current trust deed. The new trust deed and rules was drafted with the objective of maintaining the current 'balance of power' between the URC and Pension Trustee in connection with the operation of the Fund. For example, and for the reason explained at 1.2 above, in order for an amendment to be made to those provisions as replicated in the new rules, the consent of the Pension Trustee will be required, whereas amendments to all other rules can be made by the URC without the consent of the Pension Trustee.
- 3.4** The main section of the new trust deed and rules describes the standard benefits provided in respect of pensionable service on and from 1 June 1971. The Schedules to the Trust Deed and Rues operate as follows:
- 3.4.1** **Schedule 1:** sets out benefits payable in addition to those under the main section in respect of pre-1971 pensionable service;
  - 3.4.2** **Schedule 2:** modifies the main section of the rules in relation to certain members in consequence of benefit changes taking effect in 1993 and 2006;
  - 3.4.3** **Schedule 3:** modifies the main section of the rules in relation to those members who opted out of the benefit changes taking effect in 1993; and
  - 3.4.4** **Schedule 4:** modifies the main section of the rules in relation to those members who opted out of the benefit changes taking effect in 2013.
- 3.5** The opening paragraphs (headed "**Objective**") to both Schedule 3 and 4 recognise that there may be occasions on which some degree of interpretation is required to identify the benefits payable in relation to a member who has opted-out of benefit changes. These paragraphs give the Pension Trustee the ability to determine questions of doubt concerning benefit entitlements for these members.

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<sup>1</sup> See clause 2 of the new trust deed and rules.

<sup>2</sup> See clauses 2.1 and 2.2 of the new trust deed and rules.

- 3.6** Save where instructed otherwise, the new trust deed replicates the benefits provided under the current rules and is not intended to improve the benefits of any member under the Fund. The material improvements to benefits made by adoption of the new trust deed and rules are as follows (and more fully described in the note dated 1 October to the Pension Trustee prepared by the Convenor, Pensions Executive, which we had the opportunity to review and comment on):
- 3.6.1** The new rules address various issues relating to death benefits flowing from the benefit changes taking effect in 2013 (the issues being more fully described in a note dated 16 February 2013 to the Pension Trustee prepared by the Convenor, Pensions Executive);
  - 3.6.2** The new rules allow members to commute pension up to the maximum permitted under the Finance Act 2004 (and transitional regulations) rather than up to the limit under old Inland Revenue limits;
  - 3.6.3** Members leaving pensionable service with between 3 and 24 months' pensionable service will be able to opt for a deferred pension calculated in the same way as for a member with greater than 2 years' service, as opposed to a deferred pension calculated by the Fund actuary as equivalent to the value of the amount that would otherwise have been paid as a refund of contributions.
  - 3.6.4** The new trust deed and rules provide for pension increases to ill-health pensions in payment, correcting what would appear to have been an obvious error under the current rules.
- 4. Advice**
- 4.1** In our opinion the new trust deed and rules can be adopted by exercise of the amendment powers in the current trust deed and rules and having regard to our instructions, we believe that the new trust deed and rules are in a form that can be agreed by the Pension Trustee.

Yours faithfully



**Travers Smith LLP**

cc. **United Reformed Church**