

QUESTIONS AND ANSWERS

Why are you asking for this information?

Under pensions legislation, Ministers are considered as employees and their churches as employers for pension purposes. The Pension Scheme Trustees need to be able to satisfy the Pensions Regulator that they are monitoring the strength of the 'employers' covenant', which means the ability of churches (together the Union, Associations, Colleges and other bodies that also employ Ministers who are in the Scheme) to pay contributions in future and to withstand the effect of adverse influences on the finances of the Scheme.

The Pension Scheme Trustees cannot begin to form a view on this without factual information on the assets, income and expenditure of churches as a whole, but up to now this information has never been collected centrally. Accordingly, we have no reliable data to work with and so we need to gather this information. It was not collected previously, because the Scheme was in a better financial position, and it is only recently that pension scheme trustees have been obliged to focus explicitly on the employers' covenant as part of an actuarial valuation which has then to be agreed by the Pensions Regulator.

Why is it needed?

As part of the triennial valuations, the Pension Scheme Trustees have to determine the assumptions to be used after taking advice from the Actuary to the Scheme. In due course, the Trustees will need to satisfy the Pensions Regulator that the assumptions adopted are appropriate to the circumstances of the Scheme.

One of the Regulator's particular concerns is that the assumptions take proper account of the strength of the employers' covenant. If he regards the covenant as weak, he may require the Trustees to adopt very stringent assumptions. This would result in a requirement for significantly higher contributions than would otherwise be the case and thus have adverse consequences for churches.

Whilst it is a key concern of the Pension Scheme Trustees that the Baptist Pension Scheme is properly funded and they have a legal obligation to use prudent assumptions, they do not wish to have to use more stringent assumptions than are necessary. Accordingly, they are keen to be able to demonstrate to the Regulator as accurate and complete a picture of the employers' covenant as possible. This is particularly important as it was apparent in discussions with the Regulator's staff following the 2007 actuarial valuation that they struggled to understand the way in which the Baptist family in the UK operates, as it is so different from the corporate entities with which they normally deal.

It is the belief of the Pension Scheme Trustees that the financial position of churches, Associations and Colleges taken together remains very strong in the context of the Pension Scheme, but it will be necessary to demonstrate the evidence for that belief to the Pensions Regulator.

What use will be made of the information?

The Pension Scheme Trustees aim to use it:

- initially to obtain an overall picture of the assets, income and expenditure of Baptist churches in the Union as a whole; and
- subsequently, as the corresponding information is collected regularly, to monitor trends in those overall figures.

The Trustees recognise that the information gathered will not be as complete or consistent as we would ideally like, due to such factors as differences in the accounting requirements for churches of differing sizes and the use of differing accounting year ends. However, it will still be much better than no information.

The Trustees have neither a desire nor the resources to look in detail at the financial position of individual churches.

Why are you asking both for accounts and for summarised information?

It is a matter of good practice for pension scheme trustees to obtain accounts for each employer participating in a pension scheme and the Regulator would expect this to be done as a matter of course. However, with over 1,000 participating employers, it would be a huge undertaking to extract the relevant information from each set of accounts, many of which would be in differing formats. Accordingly, the Trustees are asking for key summarised information to be provided in a standard form, so that it can be collated easily.

We don't have a Minister who is in membership of the Baptist Pension Scheme, so why are you asking us for information?

As well as considering the covenant of the churches, the Pension Scheme Trustees also need to consider the strength of the financial covenant of the Union itself. Although the Union has financial reserves, ultimately its financial strength depends in the long-term on the support of churches in the Union and so it is necessary to gather as wide a picture as possible of the finances of those churches.

In addition, the strength of the financial covenant of the Union is of particular importance to the Trustees of the Baptist Union Staff Pension Scheme, as it employs the majority of the members of that Scheme.

Why should we release this information to the Pension Scheme Trustees?

The advantage of being able to demonstrate to the Pensions Regulator that the employer covenant is strong is that it will help to avoid unduly stringent assumptions being used in the Actuarial Valuation of the Scheme, which in turn may restrict the increase that is likely to be necessary in the contribution rates. It is clearly in the interests of both churches and Ministers currently contributing to the Baptist Pension Scheme that contributions should be kept to an affordable level.

In addition, Section 47(2) of the Charities Act 1993 makes clear that **all charities are required to forward a copy of their accounts to anyone requesting them** though they may charge appropriate copying and postage costs. The accounts are thus public documents, and this information may therefore be shared with the Baptist Union of Great Britain.