

## **The Baptist Pension Scheme (“the Scheme”) – Defined Benefit (“DB”) Plan Further update on securing the DB Plan and removing future risk exposure**

To all employers participating in the Scheme’s DB Plan

This email is being sent to you jointly from the Baptist Union and the Trustee of the Scheme as a participating employer in the DB Plan. It follows on from our August 2023 email on steps being taken to fully secure the Scheme’s DB Plan benefits with the insurance company Just Group (“Just”). As you are aware, those steps helped to improve the security of members’ benefits in the Scheme and allowed us to reduce the contributions from employers towards the DB Plan to £1 per month. This letter is a further update on the process to fully transition the DB Plan to Just.

### **What has happened since August 2023?**

In our August email we highlighted that making the transition to Just will mean that the benefits and options for some non-retired members would need to change slightly in order to be insurable. Members who are affected by these changes have been contacted by the Baptist Union and a formal consultation was carried out by the Baptist Union on behalf of the employers under the Scheme during November, December and January. The Baptist Union will have contacted you about the consultation if it affected your minister or other employees. The consultation has now been completed and affected members have received a further communication from the Baptist Union confirming the changes to benefits. If relevant, you will also have received a communication from the Baptist Union confirming the conclusion of the consultation process. There are no changes for members whose pensions are already in payment.

Broadstone and the Trustee’s other advisers have completed their work on the Scheme data to ensure the Trustee was able to pass accurate data to Just in January 2024 as planned. Just are now carrying out further checks before the Trustee fully transitions the responsibility for the DB Plan benefits to them later this year.

For the time being, Broadstone continue to administer the Scheme working closely with Just. As things stand, in line with the plan we have previously outlined, the Trustee expects to transition the responsibility for DB Plan benefits to Just towards the end of 2024. This is known as a buy-out and involves the following steps:

- The Trustee and the Baptist Union will trigger the wind-up of the DB Plan – we expect to take this step around 31 March 2024.
- Completion of the data transfer, finalisation of benefits and final premium payments will take around six months.
- If there are surplus assets in the DB Plan the Trustee may use some of the surplus assets to enhance members’ benefits. We currently don’t expect any surplus to be significant, but we will provide more details on this later in the process when the position is clearer.
- Just will take over the administration of members’ DB entitlements from Broadstone and will issue all DB Plan members with an individual contract setting out their entitlements – expected to be in October or November 2024.
- When the buy-out completes, members’ DB entitlements will no longer be part of the Scheme. Instead, Just will take over payment of current pensions or be responsible to pay members’ pensions to them when due.
- Your commitments as a participating employer in the DB Plan will come to an end.

We expect to write to you again with a further update in April 2024 shortly after the wind-up of the DB Plan has been triggered, to confirm that we have taken that next step.

### **What about the Defined Contribution (“DC”) Plan?**

When the DB Plan transitions to Just, the DC Plan will continue to be run as the Baptist Pension Scheme. If you and your minister/employees are currently contributing to the DC Plan, then this will continue as before. None of the DC Plan funds are being transferred to Just.

The employer contribution rate will remain at 10% of Pensionable Income. As before, 6% of this employer contribution goes direct to the member’s DC pension pot. The other 4% covers the cost of income protection insurance, life assurance and the expenses of running the Scheme. The overall operational costs of the Scheme will reduce once the DB Plan has been bought-out but those costs that are currently shared between the DB and DC Plans will all have to be met from the DC Plan. In addition, the cost of increased life assurance benefits (see below) needs to be met. We believe the 4% allowance will cover the costs under the revised set up but this will clearly be kept under close review.

### **Changes to death in service benefits for active DC members**

With effect from 31 March 2024 the benefits payable on a member’s death whilst in active service will be the sum of three parts as set out below. This is the same as the Baptist Union told active members during its recent consultation on changes to benefits.

- A lump sum equal to the transfer value that would otherwise have been paid had the member transferred their DB Plan benefits out immediately prior to their death. (After the buy-out this element will be paid by Just rather than the Scheme.)
- A lump sum of 8 x Pensionable Income (previously 4x)
- The value of the member’s DC fund from the Scheme

The increase to 8 x Pensionable Income lump sum will be subject to the insurer’s terms and conditions at the time. Further details were provided by the Baptist Union during the consultation with affected members.

### **DB Plan finances and risk exposure**

As explained in our August email, one objective of the buy-out is to remove permanently the employers’ risk exposure to future deficit contributions. However, whilst the position is becoming clearer as we progress through this process, we are not there yet as risks remain at this stage. For example, the Baptist Union’s consultation has resulted in some benefit changes for certain members, and the terms on which these can be secured with Just will depend on financial markets at the time. Further, the Trustee continues to dispose of its remaining assets, and the amount it will receive remains uncertain.

There are also substantial costs in the buy-out process as well as ongoing operational costs. These are all being closely monitored as the project develops.

As things currently stand, we are still expecting the existing DB Plan funds to be adequate and a relatively small surplus may emerge, but we cannot rule out the possibility of a shortfall at this stage.

## Deficit Recovery Contributions (DRCs)

In light of the above uncertainties, the Trustee will continue to collect £1 per month from each employer so that the direct debit facility remains open should there be a significant change in circumstances. If there is a significant detrimental change, employers may be asked to increase their contributions. This requirement will cease following the buy-out and as we move towards wind-up of the DB Plan. We will confirm the timing in due course.

## Income protection benefit for active members of the DC Plan

Active members of the Staff and Ministers sections of the DC Plan are enrolled in an income protection insurance policy which is intended to provide income in case of incapacity. Details of the benefit payable and the conditions relating to it are set out in the Income Protection Guide, a copy of which is available on the Baptist Pensions website using this link [Income Protection Insurance - Baptist Pensions](#).

As a reminder of the existing procedures, if a member falls ill it is important to follow the steps set out here: <https://www.baptistpensions.org.uk/churches-employers/what-the-employer-needs-to-do/sickness-illness/> to give the best chance of ensuring that the insurance company will pay the benefit if the member meets the relevant conditions. **It is very important should a member become ill that you ensure that you follow the relevant procedure.** This will include notifying the Scheme Administrator ([baptistpensions@broadstone.co.uk](mailto:baptistpensions@broadstone.co.uk)) within 4 weeks.

## What about cessation events?

Until winding up is triggered (expected 31 March 2024), the Scheme still operates under a legislative regime that has strict rules about cessation events (triggered when an employer stops having any active members participating in the DC Plan). Employers should continue to contact the Scheme administrator at [baptistpensions@broadstone.co.uk](mailto:baptistpensions@broadstone.co.uk) or the Pensions Team at [pensionshared@baptist.org.uk](mailto:pensionshared@baptist.org.uk) promptly if they expect to experience a cessation event.

After wind-up is triggered, the cessation event regime falls away and the Scheme operates under a different set of regulations. Essentially, this means all participating DB employers at the date on which winding up is triggered remain liable should any shortfall arise, regardless of whether their employees remain active in the DC Plan or not. Whilst we are not expecting it, if a shortfall were to arise this would require additional contributions from employers. Once it is clear that no shortfall will arise, the Trustee will release all employers from this commitment.

## Periods of grace

We have received legal advice which confirms that the Trustee cannot offer new period of grace facilities as we approach the point at which we trigger the DB Plan wind up. Employers have other options that will be explained by the Pensions Team when required.

The Pensions Team have been contacting employers in an existing period of grace. Where that period of grace relates to a cessation event before 1 July 2022 it is still possible that a debt might arise. The Pensions Team continues to work through the options with affected employers. If the Team have already contacted you and you have not yet engaged, then please do so as soon as possible.  
([pensionshared@baptist.org.uk](mailto:pensionshared@baptist.org.uk))

If you are in a period of grace with a cessation event after 30 June 2022, we anticipate there will be zero debt triggered but risks remain, as noted above. Cessation administration costs are £1,000 for full discharge. You should engage with the Pensions Team to understand your options.

### **Notification of members leaving and joining**

It is very important that employers promptly notify the Scheme administrators if any active members of the Scheme's DC Plan who also have benefits in the DB Plan have recently left or leave service between now and 31 March 2024. The administrators can be contacted at [baptistpensions@broadstone.co.uk](mailto:baptistpensions@broadstone.co.uk).

It is equally important that if an active member with DB Plan benefits leaves service in this period and then joins another BPS employer within 3 months, this is also notified to Broadstone using the email address above. If an active member with DB benefits leaves service before 31 March 2024 or leaves in that period and re-joins within 3 months, this will have an impact on the final benefits insured with Just. It is therefore important that we provide this information to them as soon as possible.

### **Next steps**

We expect to provide you with a further brief update in April once the wind-up of the DB Plan has been triggered.

Yours sincerely



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Moderator of the Scheme's Trustee Board



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