

Pension Funds Frequently Asked Question: Local Ecumenical Partnerships

Question

Thank you for the information regarding changes to the Baptist Pension situation; please address further the position of LEPs. What is the situation where a church is an LEP comprising Baptist, and other denominational partners, which currently has a Baptist Minister?

Our reading of the proposed changes is that when our current ministry concludes, the church will be penalised by an employer debt if they do not appoint a future minister who is a member of the Fund. However, as an LEP it is written into our Constitution that when a Pastoral Vacancy occurs, the future ministry may be from any of the participating denominations. It is unacceptable, as an LEP, that the church should feel obliged to appoint another Baptist Minister simply for financial reasons relating to the Pension Fund.

If I read the document correctly, we could escape the employer debt if we have another member of staff in membership of the Fund, but we would still be required to make on-going shortfall contributions to the Fund as if we still had a Baptist minister, and that those contributions could continue for as long as 20 years. It would be wholly wrong for finance to determine the denominational allegiance of future ministries for this length of time, or indeed for any length of time, in an LEP.

Our expectation is that the church would be responsible for the pension arrangements of their future minister in line with the requirements of the denomination from which he or she is drawn. It therefore seems more than unreasonable that if the church appointed, for example, a Methodist minister, it would be required to contribute both to the Methodist pension fund and, at the same time, to the Baptist Fund simply because the previous minister happened to have been a Baptist.

Answer

We agree with you that it is wrong for finance to dictate ministerial settlement, and that it appears unreasonable for a church to have to pay contributions to two pension schemes if a minister from a different denomination is appointed, but we do not at present have a solution to the issue because that remains the legal position. We presume that the church has not hitherto felt it unreasonable to pay church contributions of 16% to the Baptist Ministers' Pension Fund when it could have had a minister from another denomination and paid pension contributions of at least twice that, or possibly more, to the other denomination's scheme. For the last few years that distinct financial advantage has been in the church's favour, but it appears that the advantage will be reduced in future.

You are correct that if the church ceases to have a minister or employee who is a contributing member of the Fund, a cessation event will occur, leading to an employer debt. The amount of that debt will depend upon the church's history of Baptist ministry, but it is likely to be several tens of thousands of pounds. The rules of the Fund make it possible for another participating employer to pay, or at least guarantee, such a debt and it has been suggested that this should be done centrally by the Baptist Union. However, while for any single LEP that might be manageable financially, for all LEPs together it is almost certainly not manageable.

As you say, the alternative is for the church to continue to employ a contributing member of staff. This could be a staff member other than the minister, but if there is no such staff member, it might have to be someone with a modest ongoing role, similar to that of an "interim minister". You are correct that shortfall contributions would be payable if there is an ongoing member.

The Union remains committed to working ecumenically and is aware of the issues not just for individual LEP's but also for the other sponsoring denominations. We are looking for a solution, but are having to recognise that there are no easy solutions.

We are hoping that if all the churches pay the deficiency contributions for the first three years, then following the Actuarial valuation due at 31 December 2013, there may be a way to make the deficiency contributions more closely reflect the actual liability in respect of the members of the Fund connected with any particular church. If your church's involvement with the Fund is for a limited period, this might lead to the deficiency contributions being paid for a shorter period, but at this stage I cannot give a firm commitment on this.

We realise that this reply does not resolve the understandable concerns your church has, and trust that you will continue to pray for us as we grapple with our pension situation and its consequences.