Baptist Ministers' Pension Trust Limited
Encouraging Missionary Disciples

Baptist Union of Great Britain

Pension Review

Interim Consultation Document – Ministers' Pension Fund

Summary

1. **The Baptist Union of Great Britain is facing difficult choices over the future of its Ministers' Pension Fund. The Pension Fund Trustee Board and the Union have already had to increase from the beginning of 2009 the contributions that ministers, churches and other employers have to make to finance the Fund. That increase was based on the financial position at the end of 2007 and subsequent events mean that in an unchanged scheme, further increases look unavoidable from 2012, even if financial markets recover somewhat before the next formal valuation of the Pension Fund at the end of 2010.**

2. **When the current level of pension contributions was agreed the Baptist Union announced that it would be setting up a Pensions Review Group to consider fully the future of the Fund, together with that of the Staff Pension Scheme. It is clear to the Review Group that some significant changes to the present pension schemes are needed. The objective is to continue to make adequate provision for ministers and staff in retirement in a manner that is sustainable in the long term.**

3. **There is no simple solution and the Review Group has not yet identified a recommended option. At this stage they want to share some of their initial thinking and ask if ministers, churches and other employers can concur with the framework within which they are seeking to work.**

4. **None of the possible changes would affect pensions already in payment, nor would they affect pension rights already earned up to the date of change by those ministers who have already contributed to the Fund but have not yet drawn their pensions. They would, however, potentially affect the amount of pension that existing and new ministers would receive at retirement, depending on what proportion of the person's pensionable service takes place after any changes are effected, and the other factors explained later in this document.**

5. **The Review Group is seeking comments on these matters by the end of January 2010. It will then decide what recommendation to make. After that there will need to be a statutory consultation with all members of the pension schemes with a view to the Baptist Union Council approving any necessary changes to the rules of the Ministers' Pension Fund if possible in November 2010 for implementation during 2011.**

Introduction

This paper is quite lengthy because it is trying to help ministers, churches and other employers to understand the situation regarding the Baptist Ministers' Pension Fund and to enable people to make informed comments and to express their opinions.

Section 1. outlines the history of the Pension Fund, and explains its operation and current funding position.

Section 2. sets the broad context of the review explaining that many employers and pension schemes face similar issues caused by changing pension legislation, increasing longevity and poor investment returns. None of these factors are within our control, but the Union and the Pension Fund Trustees must seek to take steps to mitigate the negative effects they cause.

Section 3. explores the matter of 'risk' and looks at how it is borne in different types of scheme. It asks whether within the covenantal relationship of our Baptist family the risks should be borne in part by all parts of the Union.

Section 4 considers what streams of income a Baptist minister has in retirement and asks what might be an appropriate level of income to be aiming for in retirement.

Section 5. considers the matter of retirement age and suggests that this should continue to track government set ages for receipt of State pensions.

Section 6. considers forthcoming changes in pension legislation and asks about the usefulness of making our schemes more flexible, in order to help churches meet Government requirements to offer pension provision to other church employees.

Section 7. outlines a complex issue relating to the Fund being a 'multi employer scheme'. Changed legislation currently creates a particular difficulty for us. This is explained together with an indication of possible ways forward that are under examination.

Section 8. shares some of the tentative conclusions of the Review group before Section 9. gives the specific questions to which the Review Group is inviting a response.

Section 10. outlines the provisional timetable for further discussion, consultation and decisions whilst Section 11. indicates how you can participate in this interim consultation and how to ask any further questions you may have.

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Background

1.1 The first Pension provision for Baptist Ministers was introduced by the Union as long ago as 1875, when unfunded annuities of £45 per year became payable to care for Ministers in retirement. In these relatively early days of the life of the Union there was a recognition that such matters were best dealt with at the national level. These annuities remained unchanged until 1927 when the Baptist Ministers' Pension Fund was created. This also provided a Standard Annuity for Ministers regardless of their earnings or their contributions, following the so-called 'Fellowship Principle'. The Standard Annuity remains in force in respect of ministerial service prior to 1985, and is normally increased each year with a further review at each Actuarial Valuation.

1.2 This arrangement continued until 1985 when the Fund was converted into a defined benefit scheme, with member's earnings and contributions directly affecting the level of pension subsequently received. In 1991 the accrual rate for pension benefits was increased from 1/100th of final Minimum Pensionable Income for each year of service, to 1/80th of that figure for each year of service. This is why those Ministers who were in the Fund before 1991 have two or three different calculation elements on their benefit statements to show the total pension so far accrued. Contributions paid on earnings in excess of the Minimum Pensionable Income purchase Supplementary Benefits from the Fund.

1.3 The Trustees of the Fund and the Union have always sought to operate the Fund honourably. There have never been any "contribution holidays" where pensions were earned but no contributions were being paid. The Fund has not been used as a way to ease difficult pastoral or employment issues. The structure of the Fund does not allow manipulation to final earnings to boost pensions artificially in the final years of service.

1.4 The contributions payable to the Fund were originally fixed at 2.5% of Pensionable Income for churches and 2.5% for members, and this was sufficient to maintain the finances of the Fund. The rates were increased again in the 1960's and the 1980's when they reached 10% of Pensionable Income for churches and 5% for members. However, following an interim Actuarial Valuation as at 31 December 2002, it became clear that this rate was now insufficient, and contributions were increased to 12% for churches and 6% for members with effect from 1 January 2004.

1.5 Despite this, the Actuarial Valuation as at 31 December 2007 showed that there was a deficit in the Fund which required a further increase in contributions. After consultation with churches and members, the contributions were increased again to their current levels of 16% for churches and 8% for members.

1.6 The decline in both stock market valuations and interest rates since December 2007 has further adversely affected the Fund's financial position, although the position at the time of writing is better than it was at the start of 2009. Unless there is a further marked improvement in financial conditions before the next full actuarial valuation, due as at 31 December 2010, the deficit will be even greater than in 2007, and a further increase in contributions will almost inevitably be required. The Union is aware that this would be very unwelcome to both churches and Ministers, and has therefore begun a Review of pension provision generally, and of the Baptist Ministers' Pension Fund in particular, to ascertain the most appropriate form of future pension provision for both ministers and staff.

1.7 It would be normal practice for a pension review such as this to be undertaken by the employer, with the pension scheme trustees only becoming involved at a late stage in the process. The Baptist Ministers' Pension Fund rules name the Union as the principal employer. The rules allow for the Council of the Union to decide on employers' issues for the Fund, especially where rule changes are required, so that the other 'employers' (mainly the churches) do not have a constitutional responsibility for determining the future of the Fund. However, because the members of the Fund are generally not in conventional employment relationships, it is considered appropriate to use a more collaborative nature of decision-making on the Fund, and it was agreed that the Pension Fund Trustees would participate in the review from its outset, recognising and managing any potential conflicts of interest.

1.8 The Pension Fund Trustees' primary concern is to ensure that the Fund is able to meet its obligations in respect of pensions already in payment and pensions promised for service to date. Accordingly, they will need to satisfy themselves (after taking professional advice) that in future, whether the Fund is changed or not, the contributions paid are sufficient to fund the pension liabilities as they fall due. The power to amend the rules of the Fund lies with the Pension Fund Trustees, subject to the agreement of Council, so any changes will require their consent.

1.9 The Pension Fund members (ministers) must be involved in a statutory Consultation on any proposed changes through which they can seek to influence the decision makers. Whilst there is no statutory requirement to consult with the other 'employers' (mainly the churches) participating in the Fund, the Review Group is of the opinion that it is helpful to consult with them both in this interim consultation and over any final recommendations.

1.10 The Union Trustees will need to be aware of and content with the consequences for the Union of any decisions made or not made, since the rules envisage that the Union is the funder of last resort and this has major implications for the financial future of the Union, which is one of the Trustees' key responsibilities in charity law. For this reason two Union Trustees were appointed to the Review Group and the Review Group will keep the Union Trustees informed of their deliberations.

1.11 The Council of the Union will need to make decisions about whether, and if so how, the operation of the Minister's Fund is to be changed and to agree any resulting amendments to the rules of the Fund. They will however, need to be aware of the pension fund realities which are that if current benefits are to be maintained, there will almost inevitably need to be further significant increases in contributions and that pension liabilities will represent an increasing risk to the finances and future of the Union.

1.12 The Pensions Regulator (see paragraph 2.4) has taken an interest in the Fund following the 2007 actuarial valuation and is aware that this Review is being undertaken. As we have to be able to satisfy the Regulator that we can finance the Fund into the future, it is preferable for the Fund to be changed in such a way that the Regulator is content, rather than effecting some changes, only to find the Regulator requiring more. Accordingly, the Pension Review Group expect to begin conversations during 2010 with the Regulator about any proposed changes.

1.13 This Review is far from complete, and no firm conclusions about the way forward have yet been reached. Nevertheless, the Review Group consider it appropriate to issue this interim consultation document at this time, so that there is openness and clarity about the Review that is taking place and the reasons for it, and so that opinions can be sought on some of the general principles that lie behind the future of pension provision.

1.14 It is a fundamental principle of pension law that once benefits have been earned they cannot be withdrawn by a subsequent revision of a scheme. This means that nobody who is already receiving a pension from the Fund will be affected by any changes that may be made. Similarly, there will be no effect on the pension built up to the date of any change by those ministers who have already contributed to the Fund but have not yet drawn their pensions. This is why this interim consultation document is not being sent to retired ministers or to deferred pensioners of the Fund, though they will be advised that a Review is taking place which will not in any way affect their benefits.

1.15 This consultation is therefore only about the provision of pensions in respect of service after any potential changes to the Fund have been made. As a result, the effects of any changes will be greater for younger ministers, because more of their pensionable service will be after any changes that might be made have taken effect.

Question: Are the Pension Review Group right to believe that the provision of a good pension to Ministers remains a priority issue for churches and Union?

General Context for the Review

2.1 It is clear from official statistics and recent announcements in the press that the era in which final salary pension provision was normal is coming to a close, at least outside the public sector. Many companies which are household names closed their schemes to new members some years ago, and there are now regular news reports that schemes are also being closed to future accrual for existing members. Thus companies like BP have closed their schemes to new members, and companies like Barclays, Dairy Crest and IBM have been consulting on closing their schemes to existing members. According to the Pension Regulator's 2008 statistics, 20% of all final salary schemes are closed to all future accrual, and a further 50% are closed to new members, leaving just 30% open to new members. More closures have been announced since those statistics were compiled.

2.2 The Review Group has rejected the idea of closing the Fund to new members, while continuing to run it for existing members. This is partly because such action would not achieve all that is needed. However, more importantly, the Review Group believes that within the covenantal relationship of our life together in the Baptist Union we should have the same basis of pension provision for all Ministers in service at any one time, with such provision being both sustainable long term and adequate.

2.3 The trend towards scheme closure has resulted from the combined effect of two main influences, namely:

- Government action, which had the good intention of providing better security for pension scheme members, but has significantly increased both the risks and costs to employers from final salary pension schemes and hence has discouraged many employers from continuing such arrangements; and
- the operating environment for pension schemes, including adverse investment returns and an apparently accelerating trend towards greater longevity.

2.4 In particular, amendments to Regulations from 2003 onwards changed, with retrospective effect, an employer's pension promise into an absolute guarantee. In the case of charities, this effectively elevated the provision of final salary pensions above the pursuit of the organisation's charitable objectives. In addition, final salary pension schemes now face much greater regulation since the Pensions Act 2004 which introduced the Pensions Regulator, and the Pension Protection Fund. Each actuarial valuation and the funding decisions taken as a result now have to be approved by the Pensions Regulator after they have been agreed by scheme trustees themselves, and there is a legal requirement that pension scheme trustees adopt a 'prudent' approach to funding. Previous valuations of the Fund were not 'imprudent' since the Trustees have always been committed to appropriate levels of funding, but a further degree of caution has been introduced.

2.5 The introduction of the Pension Protection Fund should give comfort to members that a safety net now exists to protect at least a part of their pension if their scheme fails and the employer ceases to exist. However, this is not funded by Government, but by levies on all final salary pension schemes. The Baptist Ministers' Pension Fund already pays an annual levy in the order of £100,000, and this is an additional cost to the Fund which ultimately falls upon the members, churches and other participating employers.

2.6 One of the areas where trustees are required to be more prudent is in their anticipation of members' longevity. Statistical surveys have shown that on average people are living much longer than even 20 years ago, and this obviously has a huge impact on pension provision, since for the same amount of contributions paid, the pension in payment goes on for longer. No one is clear whether this recent dramatic improvement is going to continue or whether life expectancy will level off again, but with a requirement to be prudent, trustees are required by the Pensions Regulator to assume it will continue to improve. On that assumption, more contributions are needed to finance the longer period of pension payments. Although the assumptions about longevity have been increased in recent Actuarial Valuations, further adjustments will still be required in future.

2.7 The Fund performance has also had to face the weak investment returns that have been received in recent years. The Stock Market remains well below the level it reached in 1999 - 2000, and return from bonds and property have also been poor. Currently Stock Markets have made a steady recovery from the levels reached in 2008, and this has helped the Fund, but in the context of being still well below 2000 levels, there is no reason to assume that all the lost ground of this decade can be recovered.

2.8 The consequences of the combination of increased regulation, increased life expectancy, and weaker investment returns meant that the Baptist Ministers' Pension Fund, which at 31 December 2001 had a funding surplus of £8,721,000, moved to a funding deficit of £9,141,000 by 31 December 2004 (causing the first increase in contributions), and to a deficit of £17,826,000 by 31 December 2007 (causing the second increase in contributions). The deficit has increased further since 2007 as asset values have fallen dramatically and interest rate falls have increased the value of liabilities.

2.9 Such trends have been experienced by many other UK pension schemes and it is no consolation for the Union that other denominational pension schemes have also suffered difficulties. The Church of England Pension Scheme, which has all its contributions paid by the employers, has seen contributions rise from 21.9% in 1998 to a planned 45% in 2010, and they are consulting on changes to their scheme which will prevent a further premium rise to 57%, and allow it to stabilise at 42%. One of their planned measures is to increase normal retirement age immediately to 68.

2.10 The Methodist Church has agreed to increase contributions to its scheme from the January 2009 figures of church 17% and Minister 7%, to Church 29% and Minister 9% with full effect from September 2010. In addition they are also undertaking a review of the scheme to consider its longer term sustainability.

2.11 The Union does not think that increases of this sort are sustainable for its member churches, nor that it and the churches should build up yet further exposure to pension risks. Accordingly, this Pensions Review aims to find an appropriate balance between the conflicting objectives of providing good pensions for ministers, while avoiding unacceptable levels of contributions and risk.

Question: Are the Pension Review Group right to believe that they should not continue with the current Fund as it is presently constituted, because of the risks involved and the almost inevitable consequence that contributions would continue to rise?

Question: Which of the following total contributions are you willing to accept? :

a) No more than Minister 8% and Church 16% (the current level)

b) No more than Minister 8% and Church 19%

c) No more than Minister 9% and Church 21%

d) Other (please state)

3 Matters of 'Risk'

3.1 Pension provision is about the future and no one can be entirely certain what will happen to all the variables such as life expectancy, investment returns etc in the future. This means there is a level of risk to be borne within any pension arrangement.

3.2 In a 'Defined Benefit' pension scheme the amount of pension payable is calculated using a pre-determined formula and sufficient contributions have to be paid to finance those promised benefits. The risk of whether the contributions and the investment returns on the invested assets are sufficient to fulfil that pension promise normally rest with the employer, who is legally regarded as the contributor of the balance of the cost.

3.3 In a 'Defined Contribution' pension scheme the level of contribution is determined at the outset and no promise is made about the resulting level of pension. Instead, the pension payable to a member at the time of retirement is dependent upon the investment returns achieved on the contributions invested on behalf of that member. It also depends on the terms on which those accumulated contributions can be converted to pension. The risk of how big the pension is thus rests with the member, with the employer's liability being limited to the amount of contributions paid.

3.4 In order to manage their risks, many of the big companies closing their defined benefit schemes have switched to defined contribution pension arrangements. Some of them have also taken the opportunity to reduce the level of contributions they pay into their scheme at the same time as switching to defined contribution provision, thus disadvantaging their employees in two ways simultaneously.

3.5 It is possible to create a 'hybrid' pension scheme which contains elements of both defined benefit and defined contribution provision. In this way, both employer and employee bear some of the risks, but neither of them bears it all. However, such arrangements are inevitably more complex to understand and to administer.

3.6 The Baptist Ministers' Pension Fund is currently in two parts. For contributions based on income up to Home Mission Stipend plus the Manse Allowance, (that total being defined as Minimum Pensionable Income), the Fund operates as a pure defined benefit arrangement providing a pension based on a proportion of the Minimum Pensionable Income in force at the date of retirement.

3.7 For contributions in respect of pensionable income in excess of Minimum Pensionable Income, members receive Supplementary Benefits. Supplementary Benefits from contributions paid before April 2006 are in the form of a pension without some of the features of the Main Fund pension. Supplementary benefits from contributions paid from April 2006 onwards have had some characteristics of a Defined Benefit scheme, and some characteristics of a Defined Contribution scheme. The contributions buy a guaranteed lump sum at normal retirement age, so that the Fund bears the risk of whether the investment performance meets the promise made when the contributions are paid. However, the member then has to convert that lump sum (unless it is taken as tax free cash within the Fund rules) into a pension at annuity rates that are in force at the date of retirement, and in doing so, bears the risks of market expectations regarding both future investment returns and longevity.

3.8 Some members choose to pay Additional Voluntary Contributions to increase their benefits. These go into Supplementary Benefits as outlined in 3.7 above.

Question: Are the Pension Review Group right to believe that the future risks of the pension provision should be shared more equally between employers and members, and not left wholly with one or the other?

Level of income in retirement

4.1 The Baptist Ministers' Pension Fund is not contracted out of the State Second Pension system. This means that both Churches and Ministers pay full national insurance contributions, and Ministers will receive not only the Basic State Pension, (subject to their contribution record), but also some amount of State Second Pension. This is in addition to the pension receivable from the Baptist Ministers' Pension Fund. The Review Group are including estimates of these State pensions in their calculations of ministers' total potential retirement income.

4.2 A minister may also have other sources of retirement income, such as pension provision from previous employment, a spouse's pension or other investments. However, the Pension Review Group cannot know about these and does not want to assume that they exist.

4.3 Instead, the Review Group has asked itself as a matter of justice what is the appropriate level of income in retirement (from State Pensions and Baptist Ministers' Pension Fund combined) to try to provide for the hypothetical minister who has served forty years in our churches, always on the Home Mission Stipend.

4.4 The Review Group recognise that pensioners need to provide housing for themselves while ministers in service usually receiving housing or a housing allowance in addition to stipend. They intend to build into their calculations a sum to take account of this additional outgoing in retirement.

4.5 Those with pensions in the private sector often have an expectation of the sort of percentage of income they hope for in retirement in comparison to their earnings. The Pension Review Group are interested to know what sort of expectation ministers have about their retirement income. People in retirement do not pay National Insurance Contributions or further pension contributions, so the Pension Review Group is considering net income after tax and these other deductions.

Question: What percentage of net income received when earning Home Mission Stipend do you consider to be a just level of net retirement income for the Fund to aim at?

- **a) 80%**
- **b) 90%**
- **c) 100%**
- **d) other (please state)**

Retirement Age

5.1 The normal retirement age in the Baptist Ministers' Pension Fund is currently 65. Members may retire earlier than this, with an appropriate reduction to their pension to reflect the likelihood that it will be paid for longer, or they may retire later than this, with an appropriate increment to their pension to reflect the likelihood that it will be paid for a shorter period.

5.2 The Government has already announced a stepped programme for increasing the age at which State Pensions are drawn, which by 5th April 2046 will mean that the State Retirement Age will be 68. It has been suggested in some quarters that this process will be accelerated in order to cut public expenditure. The Trustees of the Baptist Ministers' Pension Fund, in consultation with the Union, have already agreed that the normal retirement age within the Pension Fund should broadly follow the Government's changes, so that both State Pension and Baptist Ministers' Pension will become payable at about the same time.

5.3 Given the change in State Pension ages which have already been announced and the significant element of ministers' retirement income which comes from State sources, the Pension Review Group does not feel that it is appropriate for there to be an immediate increase in the normal retirement age for the purposes of the Baptist Ministers' Pension Fund. They would however expect to mirror changes in the State pension age if the currently announced programme were to be accelerated.

Question: Are the Pension Review Group right to continue to link retirement age with Government changes to state pension provision, and not to increase the normal retirement age to say 68 immediately?

Personal Accounts

6.1 The Government has also announced the introduction of Personal Accounts for every worker from 2012. This will be a compulsory defined contribution pension savings scheme, which will be centrally operated, and to which employers will be obliged to contribute. In some ways it is a re-launch and extension of the Stakeholder Pension Scheme which has not been very successful.

6.2 However, employers will not need to contribute to Personal Accounts in respect of employees who are enrolled in a different pension scheme that provides benefits meeting specified minimum standards. It is regarded as preferable to follow this route, especially where a good scheme already exists. Accordingly, the Pensions Review Group is examining whether future pension provision should be made through a single scheme, covering not only the existing membership of the Baptist Ministers' Pension Fund and the Baptist Union Staff Pension Scheme, but also other employees of churches such as administrators, cleaners, organists and non accredited professional staff. Churches would be able to enrol all their staff in such a Baptist scheme and thus gain exemption from the Personal Accounts requirements.

Question: Are the Pension Review Group right to try to extend the Fund in some way to cover other church workers than Ministers, and hence enable the churches to opt out of the new Personal Account requirements for their non-ministerial staff?

A multi employer pension scheme

7.1 Because for tax and pension purposes Baptist Ministers are deemed to be employed by the local church and not centrally, the Baptist Ministers' Pension Fund is defined as a multi employer Pension Fund. Recent statutory requirements have seriously increased the regulatory impact on multi-employer schemes, and this has brought additional difficulties to the Baptist Ministers' Pension Fund.

7.2 The statutory framework includes anti-avoidance provisions to prevent one employer in a group withdrawing all its employees from a pension scheme without meeting its funding obligations and so leaving potentially serious consequences for the funding of the scheme. To prevent this, when an employer no longer employs any contributing members of a multi employer scheme, and does not have any for a period of twelve months, an "employer debt" potentially becomes due to the scheme. In order to calculate this debt, the pension scheme has to be valued by the actuary, using much more conservative assumptions than are normally used for an ongoing funding valuation. Such a valuation normally shows a deficit and the portion of that deficit applicable to the departing employer has to be paid to the pension scheme by that employer.

7.3 The legislation is well meant, but unfortunately is very onerous for the Baptist Ministers' Pension Fund. This has over 1,000 employers and most of these have only one employee within the Fund. When that employee leaves, the gap before another commences ministry at that church will normally exceed twelve months. Many churches are therefore likely to be affected by these provisions, even though they were not particularly designed to catch situations like ours. Because of the prudence of the statutory basis of calculation and the current existence of the deficit in the Fund, a church moving into a pastoral vacancy could face a debt payable to the Fund which is likely in most cases to exceed the liquid funds that church currently has available.

7.4 The Union has made representations to the Government to see whether the Baptist Ministers' Pension Fund can be exempted from the worst effects of this legislation, which we do not believe was created with schemes like this in mind.

7.5 One of the suggestions made to the Government would utilise the current arrangement under which churches in pastoral vacancy are requested to pay "vacant church contributions" to the Baptist Ministers' Pension Fund. Because these are not linked to a specific member, such contributions do not prevent the employer debt arising, although they demonstrate a church's ongoing commitment to the Fund and strengthen the Fund overall. One way to remove the problem would be for the Government to accept that no employer debt arises where vacant church contributions continue to be paid. However, in these circumstances such contributions would probably cease to be voluntary and might be a condition of participation in the Fund.

7.6 If some form of exemption is not obtained, it will be necessary to seek alternative ways for churches to avoid triggering such employer debts and consideration is already being given to various options. The Review Group hopes to know whether or not exemption has been gained by the time of the formal consultation on any proposed changes. If it has not then they will consult separately on other options for dealing with this that will not result in the enforcing of large debts on most churches in pastoral vacancy.

7.7 It is normal practice for all the employers within a multi employer pension scheme to contract with the scheme trustees to pay their share of contributions and deficits. Such contracts were never put in place between an individual church and either the Union as Principal Employer, or the Fund Trustees, because they were neither required nor considered necessary. However, it is likely that the Pension Regulator will now press for such contracts to be put in place.

7.8 It is important to note that the matters in this section have been brought about by changes in legislation. They would have to be considered and ways found of complying with them even if the whole scheme was not being reviewed.

Objectives of the Review

8.1 In the early stages of the Review, the Review Group have reached some tentative conclusions which they wish to test with the churches and members. They have not reached firm conclusions on how the Fund should be structured in future, and comments from this interim consultation will be taken into account in formulating the final recommendations which the Group will make in due course.

8.2 The Review Group believe that it is not possible to continue the Fund as currently formulated, with the associated risk that contributions will continue to increase at each Actuarial Valuation. They believe that the current level of contributions is close to its desirable maximum, and that the best package of benefits possible should be sought within that premium range, allowing also for the need to meet the current deficit in the Fund.

8.3 The Review Group believe that the current pension package provided to Ministers compares well with the pension schemes now available to most workers in the private sector. They rejoice in this because they regard it as appropriate for churches to provide as good a pension as is possible for Ministers in retirement. They expect that although the benefits will need to be reduced to an affordable ongoing level, the resulting scheme should continue to look good in comparison with the lower standards of pension provision increasingly available in the private sector.

8.4 Given that Ministers are generally not paid on a basis commensurate with their level of training, experience and expertise, the Review Group would prefer not to pass all the risks of investment and longevity on to the members alone, leaving the employer with no responsibility beyond the payment of the initial contributions.

8.5 Nevertheless, the Review Group do not believe it is appropriate for the employers to continue to bear all of the risks involved with the pension schemes.

8.6 It is therefore hoped that the future shape of the Fund will be to provide a defined benefit pension of a smaller amount than at present, thus guaranteeing at least basic provision of certain income in retirement, together with a further element of pension on a defined contribution basis to supplement this. In this way the future risks of pension provision will be shared more equally between employer and member.

8.7 The Review Group are considering where to pitch the change between defined benefit and defined contribution provision, so that the defined benefit part can be adequately funded in a way that is not going to require regular increases in contribution rates, but can still guarantee an appropriate level of income in retirement.

Questions on which opinions are sought

9.1 Are the Pension Review Group right to believe that the provision of a good pension to Ministers remains a priority issue for churches and Union?

9.2 Are the Pension Review Group right to believe that they should not continue with the current Fund as it is presently constituted, because of the risks involved and the almost inevitable consequence that contributions would continue to rise?

9.3 Which of the following total contributions are you willing to accept? :

a) No more than Minister 8% and Church 16% (the current level)

b) No more than Minister 8% and Church 19%

c) No more than Minister 9% and Church 21%

d) Other (please state)

9.4 Are the Pension Review Group right to believe that the future risks of the pension provision should be shared more equally between employers and members, and not left wholly with one or the other?

9.5 What percentage of net income received when earning Home Mission Stipend do you consider to be a just level of net retirement income for the Fund to aim at?

a) 80%

b) 90%

c) 100%

d) other (please state)

9.6 Are the Pension Review Group right to continue to link retirement age with Government changes to state pension provision, and not to increase the normal retirement age to say 68 immediately?

9.7 Are the Pension Review Group right to try to extend the Fund in some way to cover other church workers than Ministers, and hence enable the churches to opt out of the new Personal Account requirements for their non-ministerial staff?

Next steps

10.1 This paper initiates an interim consultation to give the Review Group more information with which to arrive at final proposals for the future of the Fund. The Fund cannot be changed until final proposals have been prepared and there has been a statutory period of consultation on those proposals with the members of the Fund. The Review Group again expect to extend that statutory consultation to churches and other employers.

10.2 It is hoped that the Statutory Consultation on specific proposals will take place during July and August 2010.

10.3 This timetable anticipates that firm proposals, on which statutory consultation has already taken place, will be put to the Baptist Union Council for decision in November 2010.

10.4 Depending on the complexity of any changes required, they would take place either at 1 July 2011, or 1 January 2012.

10.5 This timetable is not fixed and may be delayed or accelerated in the light of the consultations and discussions with the Pension Regulator.

Participation

11.1 The questions set out at 9 above can be answered electronically on a survey page of the Union website at **www.baptist.org.uk/bmpfconsult** This is the preferred method for response since the responses can be evaluated much quicker and easier than formal written responses.

11.2 Nevertheless, other responses may be made by letter to the Pension Review Group, Baptist Ministers' Pension Fund, Baptist Union of Great Britain, 129 Broadway, Didcot, Oxfordshire OX11 8RT, or by email to **pensionreview@baptist.org.uk**

11.3 Questions arising on the Review may be addressed to the two addresses in 11.2 above. Every effort will be made to respond to questions, but it should be understood that while the Review is at this early stage there may be questions for which no definitive answer is yet available.

11.4 Questions that arise regularly may be placed on the Union's website together with a suitable response.

11.5 Thank you for participating in this Consultation.

The members of the Review Group are:

The Revd Ruth Bottoms	Moderator of the Union's Trustees
Mr Robert Ashurst	Moderator of both the Baptist Ministers' Pension Fund Trustees and the Baptist Union Staff Pension Scheme Trustees
Mr Malcolm Broad	Union Treasurer
The Revd Lynn Green	Minister in pastorate and Moderator of Staffing Committee
Mr John Levick	Association Treasurer, Trustee of both the Fund and the Scheme, and Union Finance Committee member
Mr Chris Mepham	Member nominated Trustee of the Baptist Union Staff Pension Scheme
Mr Richard Nicholls	Union's General Manager and Trustee of both the Fund and the Scheme
The Revd Martin Poole	Member nominated Trustee of the Baptist Ministers' Pension Fund
Mr Philip Putman	Union Head of Finance and Administration and Secretary to the Trustees of both the Fund and the Scheme
The Revd Barrie Smith	Regional Minister, Union Trustee and Union Finance Committee member