



PENSIONWATCH

AUGUST 2017

BAPTIST PENSION SCHEME – NEWSLETTER FOR MEMBERS

Welcome to PENSIONWATCH

It has been a strange year in the Western world, with a series of surprise election results. First Brexit, in June 2016, then the American president in November and now our own general election, leaving a hung parliament. Each of these sent their own shock waves through the political, financial and cultural landscape. Alongside that we have frequently heard of terror attacks abroad and closer to home. I am sure we have all reflected on the uncertainty of events and wondered about the future.

The Pension Scheme has been buffeted by these winds of change as well. Investment markets have reacted both positively and negatively at times. Interest rates and gilt yields remain at low levels, keeping the expected cost of providing future pensions high. Our formal actuarial valuation, which takes place every three years, was as at 31 December 2016 and we are working with our Actuary and the Employers' Group to agree what this will mean for the Scheme.

In the midst of this activity, it is perhaps helpful to step back a little and see the bigger picture. The Scheme was set up in 1927. For ninety years it has provided pensions for ministers and, more recently, church workers, on behalf of the churches and other organisations who fund it. For the majority of that time it has

done so without putting undue financial strain on those employers. Currently we are going through more demanding times and I am well aware of the hardship this brings to many church communities. Nevertheless, I am confident that we can deliver the pension promises that have been made to those who have served the Baptist family over the years.

With that broader context in mind, here are a few items of note from the last twelve months.

- We have brought the Trustee Board down to eight people this year. In doing so we have said goodbye to two member representatives, Vivienne O'Brien and Andrew Machin. I appreciate the time and commitment they have given over the years, in the complex and unfamiliar world of pensions. They have had to grapple with some difficult areas but have always done so with a genuine concern for the members of the Scheme and their churches.
- Our ongoing dispute with former advisers over Supplementary Benefits continues. However, we are now able to grant the increases legally due on pensions in payment that were earned before April 2006. There is more about this on page 11. We have also corrected some longstanding benefit inequalities between men and women that had been unknown until recently.

- Although investment markets have been volatile, the protections that were put in place in 2014/5 have served their purpose. Results are shown on page 13. We continue to review investment strategy with our advisers and are looking to introduce an infrastructure element soon.
- Finally, we were encouraged in April by the publication of draft regulations by the Department of Work and Pensions. These reflect discussions we have been having with the DWP about the difficulties of applying current legislation on debt payments to churches. It was good to see that they have taken notice of our unusual circumstances (albeit with a two-year gap between consultation and draft regulations) and we look forward to seeing final regulations in the coming months.

Progress is often slow but I believe we are moving forwards and, with God's grace, the Scheme will continue to provide pensions for at least another ninety years.

Chris Maggs

Chris Maggs

Moderator of the Trustee of the Scheme



Chris is a member of the Institute of Actuaries and spent 23 years as a pensions consultant to organisations operating similar schemes to our own. He made a career change to pension trustee work at the beginning of 2013 and became a trustee of our Scheme early in 2014. He is a treasurer of a Baptist church in Solihull.

ABOUT YOUR SCHEME

The Baptist Pension Scheme is split into two sections: the DB Plan and the DC Plan

DB PLAN

- Formerly known as the Baptist Ministers' Pension Fund
- More than 1,300 "participating employers", responsible under UK pensions law for financing the DB Plan
- See the "Funding Update" section at the end of this newsletter for an update of the DB Plan's finances

How does the DB Plan work?

- Provides defined benefits for service up to 31 December 2011
- Pensions are linked to Pensionable Income at retirement or leaving service, if earlier

DC PLAN

- Provides defined contribution pensions for service from 1 January 2012
- Divided into the Ministers' section, the Staff section and the Basic section
- Administered and invested on the Trustee's behalf by Legal & General

How does the DC Plan work?

- Contributions from both you and your church / employer are paid into your Pension Account.
- These contributions are invested in the investment fund(s) you have chosen (there is a default investment option if you do not make a choice). Ethical options are available.
- When you come to retire, the value of that Pension Account, including the returns achieved on your investments, will provide your benefits.
- Pension law changed in April 2015 to give you greater choice about how to take your retirement benefits. We wrote to you separately in June 2015 to explain these changes
- Your church/employer also makes additional contributions which pay for life and income protection cover and for the expenses of running the Scheme



How is your Scheme managed?

- The Scheme is managed by a Trustee Company, Baptist Pension Trust Limited. With effect from 1st January 2017, with the agreement of BUGB, the size of the Board was reduced. The Trustee Company will now normally have eight directors. Five directors are nominated by BUGB, and the other three are elected by members of the Scheme and the Baptist Union Staff Pension Scheme.
- The Trustee is legally independent of BUGB and all the employers participating in the Scheme. It holds the Scheme's assets on behalf of members, so that those assets are kept separate from BUGB and the other employers, and by law can only be used to pay Scheme members' benefits and Scheme expenses.
- The day-to-day administration of the Scheme is outsourced to Legal & General (DC Plan) and LCP (DB Plan). If you would like more information about your benefits in the Scheme please use the contact details on the back page of this newsletter.
- Running a pension scheme is complicated, and the law requires us to take specialist advice. We have listed the current advisors on the back page.

- The table on Page 6 shows the current Trustees, the changes to the Board in the last year and the attendance record of each Trustee at the quarterly Board meetings of the Scheme.

Am I saving enough?

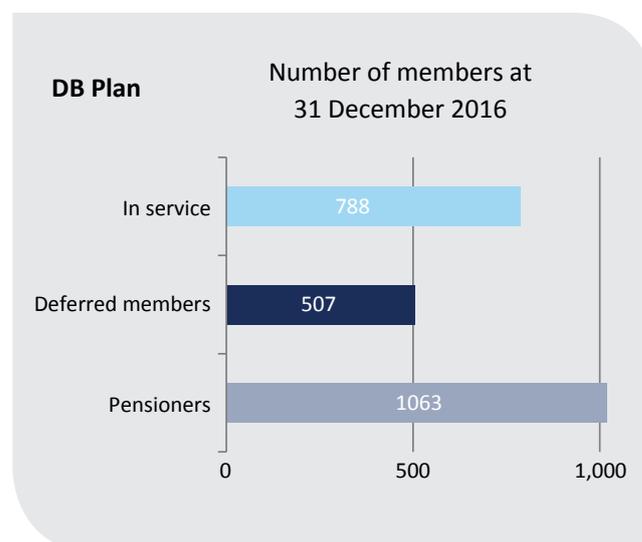
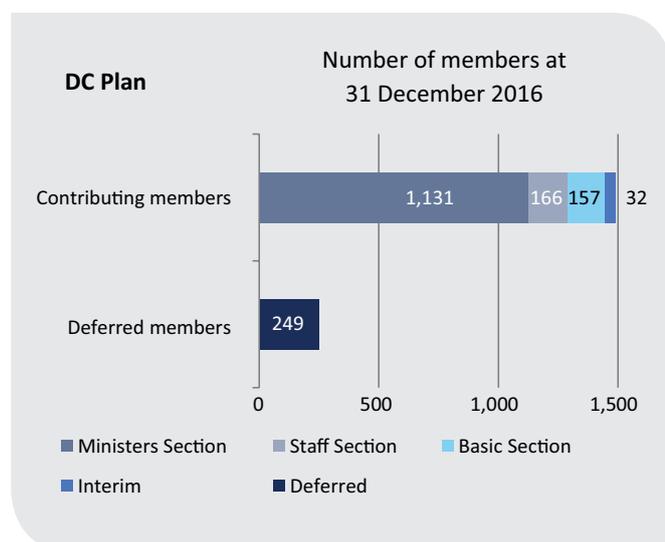
Your employer contributes 6% of your Pensionable Income to your Pension Account, and you contribute 8%.

To be comfortable in retirement, most people need an annual income of between 50% and 80% of what they've been earning in the years before they retire. You should consider carefully whether your benefits in the DC Plan, together with the state pension and any pension you have in the DB Plan and other pension schemes will meet your needs in retirement. You can use the Legal & General website (details listed on the back page of this newsletter), to access the current value of your Pension Account, your investment options and some tools to help you estimate the income you may need in retirement and the amount of pension you may expect from the DC Plan.

ABOUT YOUR SCHEME (cont.)

Trustee attendance at Quarterly Board meetings					
	May 16	Sept 16	Dec 16	March 17	May 17
Union Nominated Trustees					
Chris Maggs (Moderator)	✓	✓	✓	✓	✓
Neil Davis	✓	✓	✓	✓	✓
Jenny Drake	✓	✓	✓	✓	✓
Tony Pike	✓	✓	✓	✓	✓
Roger Short	✓	✗	✓	✓	✓
John Levick	Stood down prior to the May 2016 meeting				
Member Nominated Trustees					
Peter Dick	✓	✗	✓	✓	✓
Martin Poole	✓	✓	✓	✓	✓
Jon Spiller	✓	✓	✓	✓	✓
Andrew Machin	✓	✓	✓ Last Meeting (Stood down)		
Vivienne O'Brien	✓	✓	✓ Last Meeting (Stood down)		

AT A GLANCE



Notes: Members with benefits in both the DB Plan and the DC Plan are included twice. DB Plan membership numbers in last year's newsletter were overstated as these included DC-only members.

The following table summarises the figures in the draft 2016 Scheme accounts

Income and expenditure	DC Plan	DB Plan
Assets at 31.12.2015	£20.3m	£180.3m
Contributions from employers	£3.1m	£5.8m
Contributions from members	£2.9m	-
Transfers and other income	£0.2m	-
Benefits and expenses paid	(£1.5m)	(£10.5m)
Return on investments	£3.1m	£43.2m
Transfer between sections	(£0.5m)	£0.5m
Assets at 31.12.2016	£27.8m	£219.3m

Note: The figures in the table above may not sum correctly due to rounding

Pension Quality Mark

We are pleased to announce that the DC Plan has been awarded the Government-recognised Pension Quality Mark. To achieve this we had to demonstrate that the DC Plan meets high standards of contributions, governance and communications.



ADMINISTRATION OF THE SCHEME

Administration of the DC Plan (Legal and General)

The DC Plan is administered and invested by Legal and General. Contact details are on the back page.

Administration of the DB Plan (Outsourcing to LCP)

The DB Plan is administered by Lane Clark & Peacock ("LCP"). Contact details are on the back page.

Both LCP and Legal & General aim to respond to any enquiries they receive within 10 working days (although, in practice, it is often much sooner than this).

Changes to contribution levels

Please note that we are unable to make any retrospective adjustments to the contributions collected from your employer. It is therefore very important that LCP are informed, at least 4 weeks in advance, of any changes that affect the calculation of your contributions (eg a change in your Pensionable Income). This will normally be done by your employer but you may wish to check this with your employer when a change occurs.

Expression of wish forms

It is one of the duties of the Trustee to decide who should receive any lump sum death benefits payable from the Scheme. It is therefore very important that every member completes an expression of wish form. This form guides the Trustee when they make their decision. Please make sure that you have completed one of these forms and that it is up to date. You can change the details by completing a new form whenever you like. A form is available at <http://www.baptistpensions.org.uk/-members-/active/expression-of-wish>

Moving house?

It is important to ensure that the Scheme's administrators are kept informed about any changes to your address so that you can be contacted about your pension benefits.

Useful links

Pensions Regulator: www.thepensionsregulator.gov.uk

The Pensions Advisory Service: www.pensionsadvisoryservice.org.uk

Pensions Ombudsman: www.pensions-ombudsman.org.uk

Government pensions guidance: <https://www.pensionwise.gov.uk/>

Independent financial advice: www.moneyadviceservice.org.uk/en

Age UK: www.ageuk.org.uk

Help us to help you

The Scheme website can be found at www.baptistpensions.org.uk and we strongly encourage you to use the website as your first port of call if you have any questions about the Scheme. You will find instantly accessible information on subjects like:

- How to join the Scheme.
- The level of contributions that are payable and the Pensionable Income figures upon which these should be based.
- Your investment options.
- What happens if you leave the Scheme before retirement.
- The choices you have on how to take your retirement benefits.
- Downloadable forms and copies of important documents (such as all editions of the Members Newsletter).
- If you are not able to find what you need through this route, you can still contact the LCP administration team or Legal & General.

PENSION NEWS

THE PENSIONS REGULATOR

Scamproof your savings

 **Pension scams.** Don't get stung.



Pension scams, where people may be tricked into handing over their pension pots by scammers, are on the increase and the new pension flexibilities introduced by the government in 2015, while generally very positive for members, have opened up further opportunities for fraudsters. Many of the offers seem very convincing, but, once you've transferred your money into a scam, it's too late. You could end up losing all your pensions savings and in some cases face a tax bill of up to 55%.

The Pensions Regulator has produced some tips to help you give yourself the best possible protection against the pension scammers, which you can find at:

<http://www.thepensionsregulator.gov.uk/individuals/dangers-of-pension-scams.aspx>



Reduction in the Money Purchase Annual Allowance

If you choose to 'flexibly access' any of your DC Plan or other money purchase benefits, the 'Money Purchase Annual Allowance' (MPAA) will apply to you.

That means you will have to pay extra tax if the total contributions to these arrangements in any tax year (including both contributions from you and your employer) exceeds the tax year's MPAA. Special rules apply in the tax year the MPAA is first triggered.

The purpose of the MPAA is to counter individuals trying to avoid tax on their current earnings by diverting their salary into their pension scheme, gaining tax relief, and then effectively withdrawing 25% tax-free.

Assuming the policy of the previous Conservative Government to reduce the MPAA from £10,000 to £4,000 is taken forward into legislation following the recent General Election, the MPAA is £4,000 per tax year from 2017/18.

LEGAL ISSUES

Supplementary Benefits

The complex issues around the treatment of Supplementary Benefits, highlighted in the past two member newsletters have yet to be concluded. However, we have now reached the stage where our legal advisers have confirmed that it is in order to apply increases to Supplementary Benefit pensions (granted from contributions made between April 1997 and April 2006) when those pensions are in payment. We are calculating the payments due to affected members and will be contacting individuals about this before the end of the year. We regret the ongoing delay in fully resolving this difficult matter.

Having taken actuarial advice, the Trustee also recently decided to award a bonus of 10% to all Supplementary Benefit lump sums, which were granted from contributions made after April 2006. We will write to affected members to explain this decision.

Equalisation of Pension Benefits

As we reported in last year's newsletter, during the course of 2015, a legal issue came to light, relating to the Scheme's historic treatment of equalisation of pension benefits between men and women. This matter has now been resolved. A number of members have received increases in pension as a result and all amounts due have been paid.



INVESTMENT UPDATE

The Trustee of the Scheme is responsible for deciding how to invest the DB Plan’s assets.

Before deciding how to invest, the law requires us to take advice from qualified investment consultants. The law also requires us to delegate day to day investment decisions to fund managers who are authorised by regulatory authorities. This is designed to ensure that we are guided by experts when taking decisions about the investments which we make on your behalf.

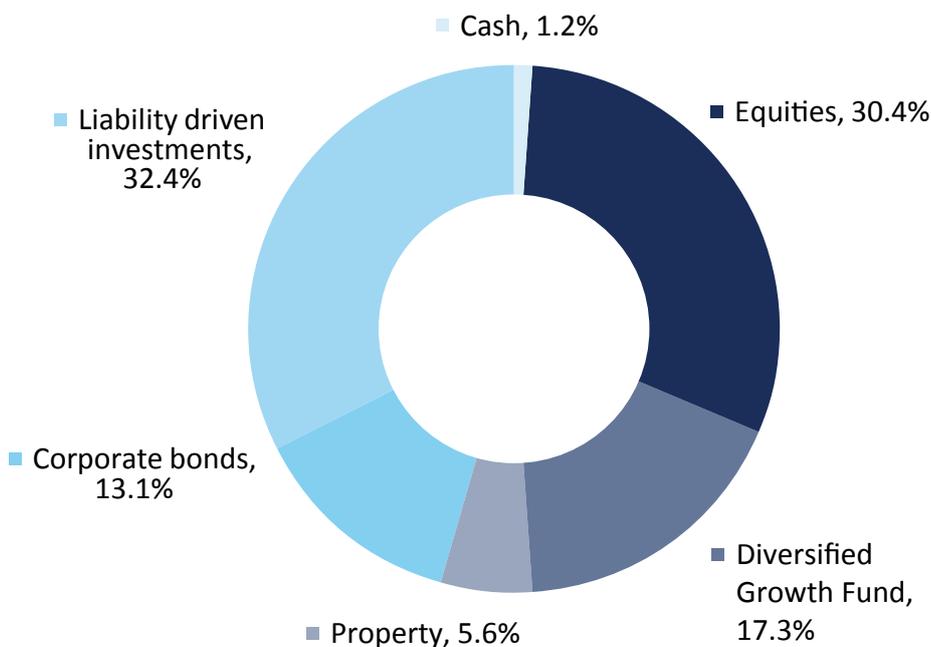
How do we decide how to invest?

When choosing an appropriate investment strategy we take account of many factors, including:

- The long timeframe over which the Scheme will continue to pay pensions.
- The balance of risk and potential reward.
- The employers’ ability to make additional contributions in future if we do not achieve the investment returns we hope for.
- Our ethical investment policy.

Choosing the right investment strategy is a difficult balance, and one which we monitor carefully.

Asset allocation as at 31 December 2016



Total Assets: £220.4m

Note: The total asset figure shown above excludes certain current assets and liabilities that are included within the Scheme’s accounts. It may therefore differ from the figure shown on page 7.

Recent changes to Investment strategy

Over the course of 2016, changes have been made to the Scheme's investment strategy in order to further improve the Scheme's balance of risk and potential reward.

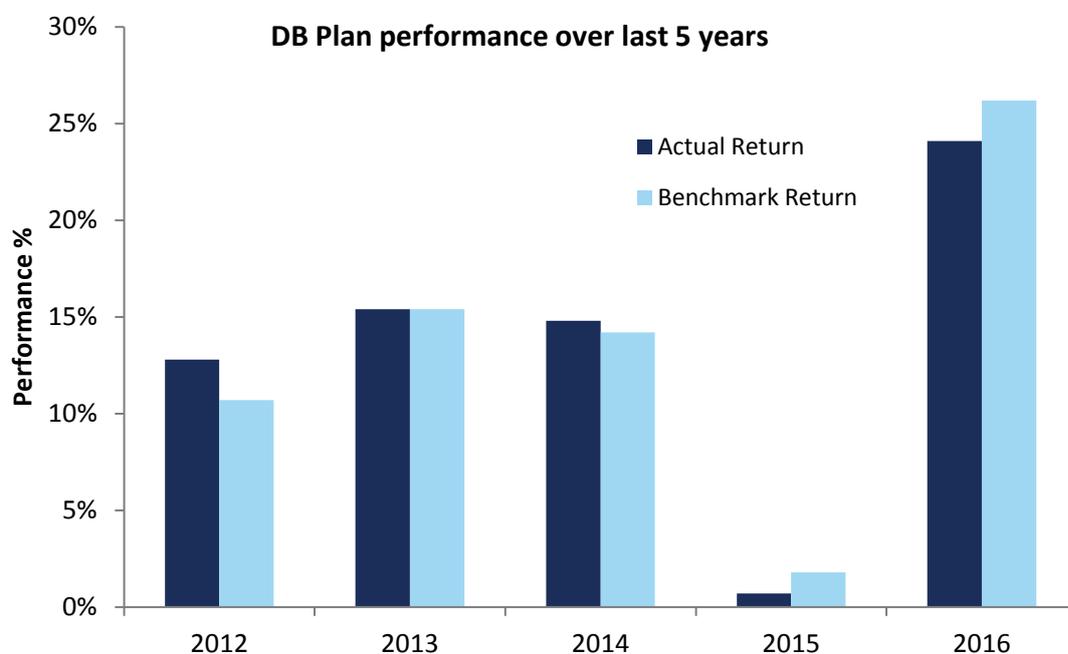
The main step taken was increasing the Scheme's exposure to Liability Driven Investments, in order to help stabilise the Scheme's funding level.

Recent performance

We compare the returns achieved on the Scheme's assets against a "benchmark", or target level of return.

Over the year to 31 December 2016, the overall return on our assets was +24%, slightly falling behind the average of the managers' targets (which was +26%). The main reason for this shortfall was one of our Diversified Growth Fund managers, which we are in the process of replacing, failing to meet its performance target. As a long term investor we believe the Scheme's performance over longer term periods is a more important measure. The Scheme's performance over the five years to 31 December 2016 was +13% pa, in line with the average of the managers' targets.

The chart below shows the performance of the Scheme over the last five years.



Members are responsible for deciding how their DC Plan account is invested

You can find out how your DC Plan account is currently invested and make any changes by contacting Legal & General. Their contact details are on the back page. Legal & General also send DC Plan members a statement once a year.

FUNDING UPDATE

At least once every three years, we must make a full assessment of the financial position of the DB Plan to check what needs to be done so that it is able to pay all benefits when they are due.

This assessment, which is called an actuarial valuation, helps the Pension Trustee and BUGB agree the level of contributions that churches and other employers will pay over the following three year period to meet any shortfall in the DB Plan's finances.

The Pension Trustee and the Employers' Group are currently in active discussions about the results of the actuarial valuation of the DB Plan as at 31 December 2016 and we will update you on the results once these are agreed.



CONTACT US

IF YOU HAVE ANY QUESTIONS ON YOUR BENEFITS PLEASE CONTACT:



Lane Clark & Peacock LLP
St Paul's House
St Paul's Hill
Winchester
Hampshire
SO22 5AB



Legal & General



0845 070 8686
(and enter pin number 97 when prompted
so that the person who answers your call
will then know you are a member of the
Baptist Pension Scheme)



+44 (0)1962 672930



BaptistAdmin@lcp.uk.com

[http://www.legalandgeneral.com/
workplacebenefits/employees/](http://www.legalandgeneral.com/workplacebenefits/employees/)

TRUSTEE'S ADVISERS

Scheme Actuary

Richard Soldan, Lane Clark & Peacock LLP

Actuarial and investment advisers

Lane Clark & Peacock LLP

Administrators (DB Plan)

Lane Clark & Peacock LLP

Administrators (DC Plan)

Legal & General Assurance Society

Auditor

Wilkins Kennedy LLP

Investment managers

Legal & General Assurance (Pensions Management) Ltd
BMO Global Asset Management
(formerly F&C Asset Management plc)
Ruffer LLP
CB Richard Ellis Investors
GMO UK Ltd
Royal London Asset Management Ltd