BAPTISTS TOGETHER
BAPTIST PENSION SCHEME

PENSIONWATCH

March 2020

BAPTIST PENSION SCHEME – NEWSLETTER FOR MEMBERS

Welcome to PENSIONWATCH

There's a wonderful feeling of elation when you approach the top of a hill on a long journey. It gives you the opportunity to pause and look back at how far you have come. But also to look ahead as you realise there's still a long way to go!

It feels like one of those moments for me as I consider what has been achieved in the six years since I have been on the Trustee Board. Getting to where we are on managing employer debts in the DB Plan has been a long road, involving a great deal of work on historic data collection and communication with hundreds of churches and other employers. Establishing a firm basis for the security of member benefits through contributions and investment strategy has been equally challenging. Most of this has been achieved through the hard work and perseverance of Mark Hynes, who stepped down as Pension Manager in June. Mark took the Baptist pensions role because he felt he was called to the task and I believe he has proved this over the years with his gifts of patience, persistence and attention to detail.

We also said goodbye to Colin Higham, who retired after many years of liaison with churches over pension debt issues. It was a difficult role, which he managed with perseverance and grace.

I am grateful too for the support provided by the Baptist Union and the Employers' Group. As we bring the final elements of the Family Solution into effect this year, we have a good sight of the path ahead. It won't always be smooth but the direction and commitment to remove the deficit and reduce the risks going forward is strong. We have already reduced investment and mortality risks substantially through a pensions insurance contract and will be working with the Employers' Group on reviewing the 31 December 2019 actuarial valuation with a view to planning the next stage of the journey.

Our new Pension Manager is Steve Kaney, who joined us a year ago after ten years working in a similar role at the Church of Scotland. We have also recruited Marshall Rowan as support for Steve. As the three of us look at the way ahead, our objective is to try and change the pensions conversation within the Baptist Family.

For good reason, the focus in recent years has been on the DB Plan shortfall and ensuring we provide the benefits promised to members. Going forward we see the DC Plan taking a more prominent role for the following reasons.

- It has been the Scheme's method of pension provision for over eight years.
- We now have more contributing members with just DC Plan benefits than with both DC and DB.
- For members retiring, it is becoming an increasingly important part of their lifelong pension provision.

The DC Plan was authorised as a Master Trust in September 2019 and this demonstrates a very high standard of governance and operation. Our aim is to continue to improve on the service provided to Scheme members and the options available at retirement.

I hope you find the information in this Newsletter helpful and I look forward to continuing the journey with you.

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 part of a Baptist church in Solihull.

Covid-19 Pandemic

At time of finalising this Newsletter, we are in the midst of an unprecedented global pandemic which is impacting on all of us in many different ways. As you would imagine, the Baptist Pension Scheme is not without impact and we want to assure all our Scheme members and employers that during these extraordinary circumstances we are doing all we can ensure that the Pension Scheme services you require remain available. There are of course challenges, but we are working closely with our advisors and taking guidance from the Pension Regulator to address them.

The wider situation is so fast-moving that, whatever detail we chose to print in this Newsletter will almost certainly be out of date by the time you read it so we would direct you to this link https://www.baptistpensions.org.uk/covid-19-coronavirus/ on our website which will set out up to date information.

ABOUT YOUR SCHEME

The Baptist Pension Scheme is split into two sections: the DB Plan and the DC Plan. Both are now administered by the same organisation, BBS.

DB Plan

- Formerly known as the Baptist Ministers' Pension Fund
- More than 1,000 "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
- Employers are responsible for funding the benefits to be paid.

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 by BBS (now part of the Broadstone Group) since May 2019
- 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 from the range selected by the Trustee which includes some ethical options (there is a default ethical investment option if you do not make a choice).
- When you come to retire, the value of that Pension Account, including the returns achieved on your investments, will provide your benefits.
- 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. The Trustee Company normally has eight directors. Five directors are appointed by BUGB, and the other three are elected by members of the 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.
- The day-to-day administration of the Scheme is outsourced to BBS/Broadstone. If you would like more information about your benefits in the Scheme please use the BBS 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 below shows the Trustee directors in place during 2019 and the attendance record of each person at the quarterly Board meetings.

Am I saving enough?

If you are in the Ministers or Staff sections, your employer contributes 6% of your Pensionable Income to your Pension Account, and you contribute 8%. In the Basic section it is 4% and 5%.

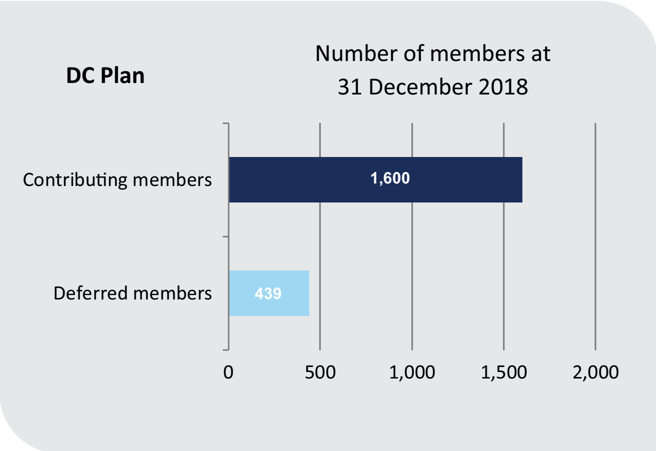
To be comfortable in retirement, most people need an annual income of between 50% and 80% of what they've been earning in the years before they retire. You should consider carefully whether your benefits in the DC Plan, together with the State Pension and any pension you have in the DB Plan and other pension schemes will meet your needs in retirement. You can use the BBS web portal www.4myplan.co.uk to access the current value of your Pension Account, your investment options and some tools to help you estimate both the income you may need in retirement and the amount of pension you may expect from the DC Plan.

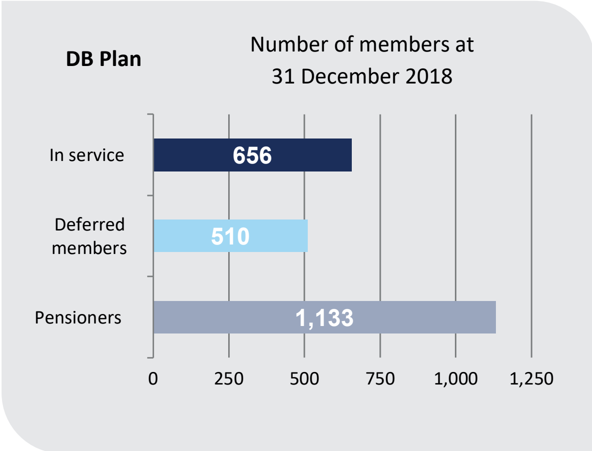
Trustee attendance at Quarterly Board meetings

	March 2019	June 2019	Sept 2019	Dec 2019
Union Appointed Trustee Directors				
Chris Maggs (Moderator)	✓	✓	✓	✓
Neil Davis	✓	✓	✓	✓
Jenny Drake	✓	✓	✓	✓
Tony Pike	✓	✓	✓	✓
Paul Chilcott	n/a	n/a	✓	✓

Member Nominated Trustee Directors				
Peter Dick	✓	✓	✓	✓
Martin Poole	✓	✓	✓	✓
Jon Spiller	✓	✓	n/a	n/a

AT A GLANCE





Note: Members with benefits in both the DB Plan and the DC Plan are included in each category

The following table summarises the figures in the 2018 Scheme accounts

Income and expenditure	DC Plan	DB Plan
Assets at 31.12.2017	£34.5m	£236.3m
Contributions from employers	£3.4m	£39.4m
Contributions from members	£3.1m	-
Transfers and other income	£1.1m	-
Benefits and expenses paid	(£2.5m)	(£12.9m)
Return on investments	(£1.1m)	(£5.4m)
Transfer between sections	(£0.8m)	£0.8m
Assets at 31.12.2018	£37.7m	£258.2m

SCHEME NEWS

In March 2019 Steve Kaney took over from Mark Hynes as Pensions Manager. He is supported by our new Pensions Support Officer Marshall Rowan.

Steve Kaney

Steve has been involved in the pensions industry since graduating in Maths in 1984. For the last 10+ years, he was Pensions Manager at the Church of Scotland so brings a wealth of experience in church-related pensions. He is a member of the Church of Scotland and lives in Perth, where he is based for working purposes. He is married to Debbie and has two adult daughters.

Marshall Rowan

Marshall worked with Steve as part of the Church of Scotland's in-house Pensions Administration Team. She is familiar with - and enjoys - dealing with pension issues for Ministers and Church employees. She lives in Edinburgh and is married to Martin.

Mark Hynes

Mark Hynes has retired this year after 5 years as Pensions Manager to the DB Plan, the DC Plan and the Baptist Union Staff Pension Scheme (the BUSPS). Mark has been a huge asset to the Scheme, and the Trustees. On behalf of all of the Baptist Family, would like to thank him for his hard work and commitment in an extremely challenging time – both for the Scheme and the wider pensions industry.

Mark has helped the Scheme through a number of issues, most recently completing the complex task of applying for Master Trust authorisation for the DC Plan, a huge undertaking which would not have succeeded without his perseverance. We wish Mark well-earned enjoyment in his retirement.

Colin Higham

Colin has been the main liaison with churches and other employers in the DB Plan through a difficult period of resolving historic debt issues. He retired in October 2019 and we are extremely grateful for his service and commitment. We wish him good health and happiness in the years ahead.

Changes to the Trustee Board

Paul Chilcott was appointed, by BUGB, as a Trustee Director in September 2019. A member of Leigh Park, Baptist Church, Paul brings great experience to the Trustee Board having worked in both the pensions consultancy world in the legal field and for the Pensions Regulator.

Member Nominated Trustees

In 2019, two Member Nominated Trustee Directors, Jon Spiller and Martin Poole, retired after completion of multiple terms of office. The process for appointing new member nominated directors has been completed and we are pleased to welcome Stuart Glenn and Ken Stewart to the Board. Stuart will be a familiar name to many as he ran the in-house administration of the Scheme until 2015. Ken was Director of Pastoral and Mission Studies at Bristol Baptist College. Both are now retired.

Scheme Administrators - BBS

Since the last newsletter, BBS have been appointed as administrators of both the DB and DC plans. BBS have recently merged with the Broadstone Group and a re-branding is in progress. The Trustee is confident that this merger will not result in any deterioration in administration standards.

ADMINISTRATION OF THE SCHEME

Both the DB and DC Plans are administered by BBS/Broadstone. Contact details are on the back page.

BBS/Broadstone aim to respond to any enquiries they receive within 10 working days (although, in practice, it is often much sooner than this).

4myplan – member-access website for members of the DC Plan

If you are a member of the DC Plan you are now able to manage your pension savings in the Scheme online by registering for the Scheme's member-access website, 4myplan.

To access the website, you will first need to register by visiting www.4myplan.co.uk and clicking on "Register". You'll then need to enter your National Insurance number, your date of birth and your personal registration code, which we have sent you in the post.

4myplan – member-access website for members of the DB Plan

A member-access website will be available to members within the next year. We will write to you individually with how to access the website in due course.

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 BBS/Broadstone 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) so that they can amend the amount collected from your employer. 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.

If you logon to https://www.4myplan.co.uk and follow the link to Personal Details, you will be able to keep all of your contact information up to date.

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.
- If you are not able to find what you need through this route, you can still contact the BBS administration team and there is further information on 4myPlan.

LEGAL ISSUES

Family Solution

Back in 2018, we agreed the "Family Solution" with BUGB and the Employers' Group as part of the 31 December 2017 actuarial valuation discussions. You may recall this involved a substantial payment towards the DB Plan deficit of £33m. It also involved a change in the measure of inflation for pensions in payment, from the Retail Price Index (RPI) to the Consumer Price Index (CPI). This change was permitted within the Scheme rules.

There is another actuarial valuation currently underway as at 31 December 2019 and we will be engaging with the Employers' Group over the next few months.

Bulk Annuity Policy

With the injection of £33m into the Pension Scheme in December 2018, the Trustee, with support from the Employers' Group, have continued to look at ways to reduce risk in the Scheme. During 2019 the Trustee investigated the purchase of a contract with an annuity provider to match the pensions of some of our retired members of the DB Plan. This is often referred to as a 'buy-in'.

We are pleased to confirm that an arrangement has now been completed with a UK-listed company called Just Group plc (JUST). Their main business is annuity provision and they are well established in the market. JUST, like other insurers, operate in a highly regulated market overseen by both the Financial Conduct Authority and the Prudential Regulation Authority. The contract is also covered by the Financial Services Compensation Scheme.

This bulk annuity policy is a change in the Scheme's investments and does not affect any members' benefits, which continue to be paid to members by the Scheme's administrators in the same way. Like all the Scheme's investments the bulk annuity policy sits behind the scenes and provides security for all.

Supplementary Benefits

We have been involved in some complex legal issues around the treatment of Supplementary Benefits in recent years but towards the end of 2018 we were able to apply increases to Supplementary Benefit pensions (granted from contributions made between April 1997 and April 2006) when those pensions are in payment.

A legal claim against former advisers is ongoing.

DC Master Trust

From April 2019 new legislation came into force for schemes known as Master Trusts. These are schemes that provide DC benefits and are used by two or more unconnected employers and are typically run by companies who are trying to make a profit. They became popular when Auto-enrolment was introduced in the UK back in 2012. From April 2019, the new legislation requires that all Master Trusts must comply with a very substantial set of regulations and are required to apply for and obtain authorisation from the Pensions Regulator if they wish to continue to run as a Master Trust.

Although this legislation was intended for larger commercial schemes, the new definition of a Master Trust includes multi-employer schemes like the Baptist Pension Scheme and therefore the Trustee was required to apply for authorisation. Over the year to April 2019 the Trustee compiled the large amount of information necessary for registration including an in-depth review of all of the Scheme's administration, governance, advisors and financial sustainability in order to submit an application to the Regulator. The application was accepted towards the end of 2019 and the Baptist Pension Scheme is now an authorised Master Trust. Around 40 other schemes in the UK have also received authorisation.

Although this complicated process has taken a large amount of time and effort, it has resulted in a thorough audit of the Scheme and extra contingency planning to make funds available to the DC Scheme in the event of it having to close. This ensures that member funds would not be reduced by the costs of winding-up the DC Plan.

Baptist Union Staff Scheme (BUSPS) Wind-up

During 2018 the Trustee of the BUSPS purchased a bulk annuity insurance policy from Aviva in respect of all liabilities of the BUSPS. As planned, the bulk annuity policy was then converted into individual policies for each of the members of the BUSPS. Future benefits of the BUSPS members are now paid directly by Aviva, the insurer, and no further liability remains with the scheme. BUSPS members have been contacted individually in relation to this matter.

The completion of this process means that the purpose for which the BUSPS was created no longer exists, and the BUSPS was formally wound up in September 2019.

PENSION NEWS

THE PENSIONS REGULATOR

Pension scams. Don't get stung.

Scamproof your savings

Pension scams, where people may be tricked into handing over their pension pots by scammers, are on the increase and the 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%.

A cold calling ban proposed by the Government came into effect in January 2019. The ban makes unsolicited calls to individuals for direct marketing purposes in relation to pensions illegal. If you receive an unsolicited call about your pension it is likely to be an attempt to scam you. Please be aware and act accordingly.

There have been lots of reports in the pension press about scams, including the jail sentencing of two people who persuaded a number of individuals to transfer c£1m into a bogus pension scheme. These individuals were told they could access pension benefits before age 55 and were credited with about half of their money. The other half was spent by the pension scammers. The threat of pension scams is real!

You can normally only take your pension after your 55th birthday, so please be wary of anyone who says they can help you cash in your pension early by transferring it to another arrangement. Whilst everything may seem legitimate, you may find yourself subject to a hefty tax charge and the loss of some, or even all, of your savings.

The Pensions Regulator has produced an updated guide to spotting potential pension scams, 'Scamproof your savings' which covers what to do if you suspect a scam and who to contact . You can find it at:

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

You can report any offer you think is fraudulent to Action Fraud on 0300 123 2040.

Money Purchase Annual Allowance (MPAA)

The Money Purchase Annual Allowance (MPAA) is only relevant to people who have made use of the flexibilities introduced by the government in 2015 and are continuing to contribute to a DC pension scheme.

The MPAA was introduced by the Government in 2015 and sits alongside the main annual allowance test on total savings. It applies for individuals who have at any stage drawn money purchase benefits using any route called "flexible payment". After the first time you have done this, (broadly) if you and or your employer together make pension savings higher than the MPAA on a money purchase basis in any future tax year, the excess incurs an annual allowance charge. If you also build up DB savings, the main annual allowance applies in an adjusted form for that tax year.

The MPAA is currently £4,000 pa i.e. if you are affected by the MPAA and your total DC pension savings (both you and your employer) are greater than £4,000, you will be subject to an additional tax charge.

INVESTMENT UPDATE

DB Plan investments

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.

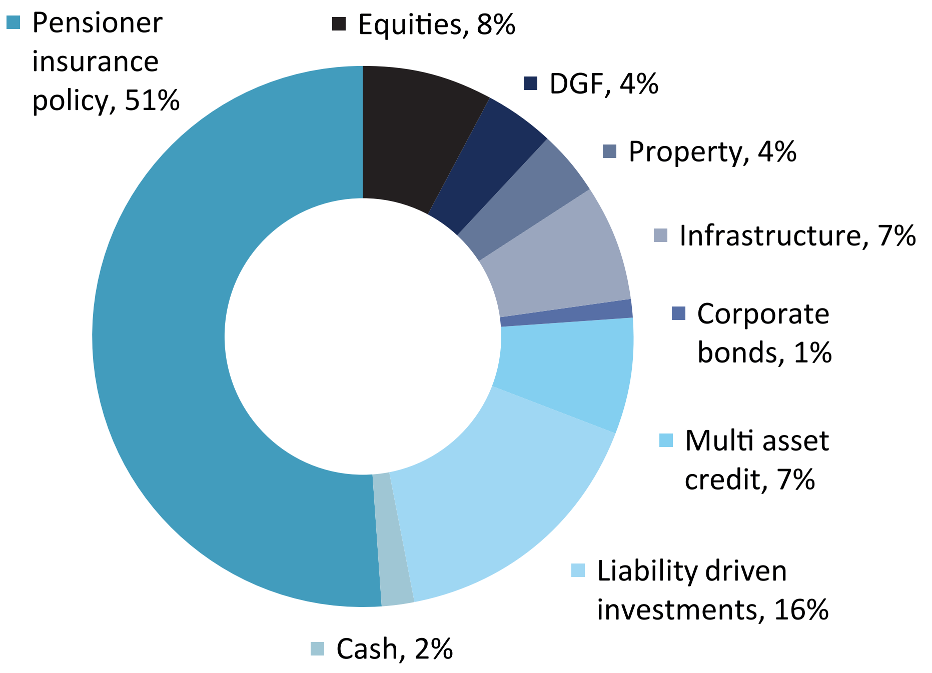
How do we decide how to invest?

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 2019



INVESTMENT UPDATE (cont.)

Recent changes to Investment strategy

The Trustee has continued to monitor and evolve the Scheme's investment strategy, in light of investment market developments and new opportunities. Over the course of 2018 and 2019, 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 change has been the purchase of a bulk annuity policy at the end of 2019, which is explained further on page 10.

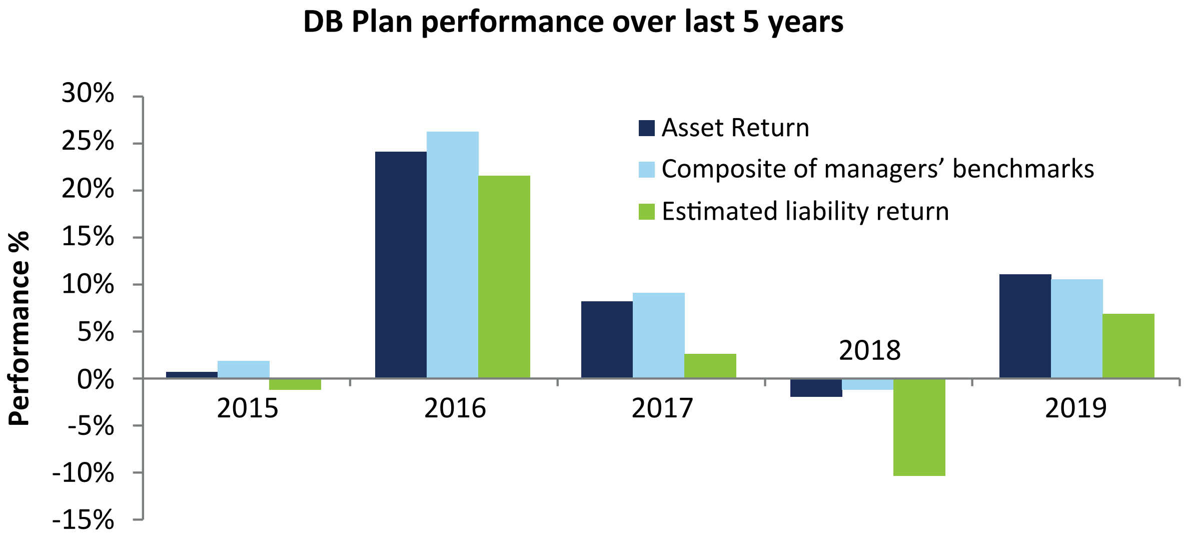
During 2018 and 2019 the Trustee also reduced the Scheme's equity and diversified growth allocation, and in 2018 introduced a new allocation to multi asset credit. This increased diversification and also reduced equity exposure in line with the Trustee's long term de-risking strategy.

Performance in 2019

Over the year to 31 December 2019, the overall return on our assets was 11.0% (not including the bulk annuity policy) and over five years has averaged 8.0% per year.

The chart below compares the returns achieved on the Scheme's assets against a "benchmark", or target level of return for each of the asset classes and an estimate of how the value of the Scheme's liabilities have changed. Underlying the negative outcome over 2018 is a variety of factors specific to each assets class and the movement of individual markets.

The Trustee also monitors the Scheme's investment managers against their individual benchmarks and targets. While this shows that some managers have returned less that their stated target in some periods, the overall asset return has been significantly greater than the increase in value of the liabilities. This is important as it means the asset return is driving further improvements to the Scheme's funding level, alongside the contributions paid by the employers.



DC Plan investments

Recent changes to Investment strategy

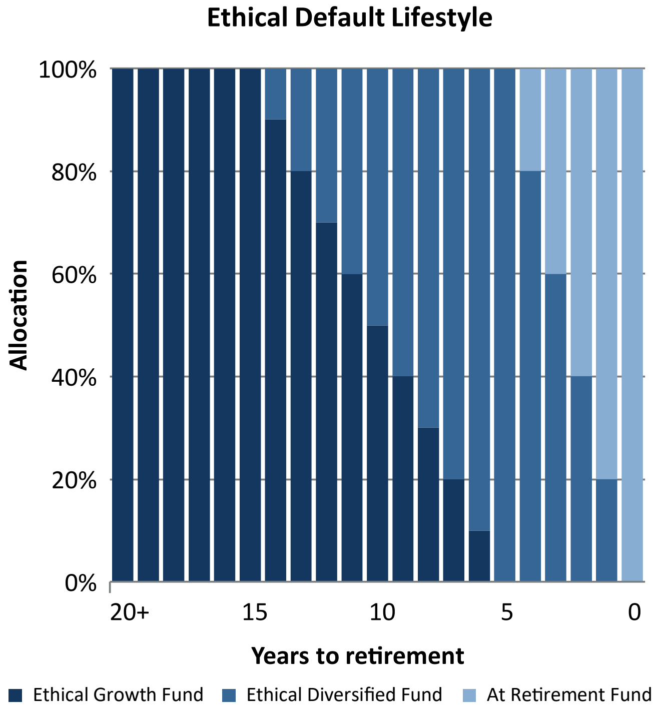
The Trustee has been working with our investment advisers, LCP, to review the current investment strategy and, in particular, the characteristics of the default fund.

As a result of that review, in 2019 we decided that the default investment fund in the Plan should be changed to include an ethical focus. This new default is called the Ethical Default Lifestyle Fund (shown below).

The main reasons for the change are that the Ethical Default Lifestyle approach provides:

- Access to an ethical equity fund which we believe is more suited to the membership of the Plan
- Simplification of the lifestyle approach to use a combination of only three funds over the period to retirement
- A more gradual de-risking approach in the lead up to retirement to allow for more flexibility in when members choose to retire
- A simplified charging structure that is consistent and fairer to all members of the Plan

Members in any of the previous lifestyle strategies who took no action following the communication in April 2019 have now had their accumulated funds and any future contributions transferred to the new Ethical Default Lifestyle strategy unless they are within 5 years of their target retirement age. Members who are close to their retirement age remained in the previous default fund to avoid too much disruption in their final 5 years prior to retirement. Please note that the target retirement age used will be 65 unless the member has informed us of an alternative age they intend to retire.



Performance in 2019

Since the new Ethical Default Lifestyle strategy was introduced in May 2019, performance of all three of the funds within the strategy was positive for the rest of the calendar year. Over the six months to 31 December 2019, the Ethical Growth Fund has provided investors with a positive return of approximately 6%. All members who are invested in the default and are more than five years from their target retirement age have assets invested in this fund, therefore this strong performance will have benefited the majority of the membership. Both the Ethical Diversified Fund and the At Retirement Fund, which are introduced within the final 15 years of a members' target retirement date, also produced positive returns over the six months to 31 December 2019, with returns of approximately 4% and 2% respectively.

Following the strong returns in 2019, markets fell steeply in March 2020 due to the Covid-19 outbreak. In the short term, markets remain volatile but we expect markets to stabilise and performance to improve over the longer term.

SUMMARY FUNDING STATEMENT

What is the purpose of this statement?

We are sending you this statement to tell you about the DB Plan's funding. The law requires us to send you a statement each year. This statement has been produced by the Trustee of the Scheme with the aid of our professional advisors and relates to the DB Plan only.

How is the Scheme assessed?

The Scheme's actuary investigates the financial position of the DB Plan by estimating the value of assets that the DB Plan needs to pay the benefits that have been earned by the members of the DB Plan to date, as they fall due, and then compares this against the value of the actual assets of the DB Plan.

To make this estimate, the Trustee and BUGB, on behalf of the participating employers involved with the DB Plan, have to agree on a number of assumptions about what will happen in the future. In particular: how long people will live; what inflation will be; and what returns will be earned on the DB Plan's investments. The assumptions made will affect the value of assets which the actuary estimates is necessary to pay the benefits.

The Trustee must also take account of its assessment of the financial strength of the participating employers when agreeing on these assumptions. This is important because if the anticipated returns from investments do not materialise, then the Trustee would need to rely on additional contributions from the participating employers, and so it needs to be satisfied that they could provide such contributions in future if required.

The main aim of this exercise is to determine the contributions to be paid into the DB Plan. If the assets held by the DB Plan are less than the calculated target level then deficit contributions are needed to fund the shortfall.

The actuary also estimates how much an insurance company would charge to take over responsibility for the payment of the DB Plan's benefits that have been earned to date. This is referred to as a "solvency" assessment and relates to the position if the participating employers were to become insolvent and unable to support the DB Plan (see further below).

This investigation – called an actuarial valuation – takes place in full every three years, with the latest one having an effective date of 31 December 2016. The next valuation will take place as at 31 December 2019, although we also obtain "snapshots" of the position in the years between full valuations. In addition, we are able to track the progress of the DB Plan's financial position on an approximate basis day by day.

Snapshots of the Scheme's funding level

The latest full actuarial valuation of the Scheme was as at 31 December 2016. The results are set out below, alongside more approximate snapshots of the positions in 2017 and 2018.

Item	31 Dec 2016 snapshot	31 Dec 2017 valuation	31 Dec 2018 snapshot
Value of assets held in the Scheme	£219m	£237m	£260m
Target level of assets needed to pay benefits	£312m	£314m	£307m
Shortfall in assets	£93m	£77m	£47m
Estimated funding level	70%	75%	85%

The full actuarial valuation as at 31 December 2019 is now in progress and we will update you with the results in the next newsletter. Initial indications are that the deficit will be lower than we projected at the last valuation.

On the solvency basis, the actuarial valuation at 31 December 2016 revealed a shortfall of assets of about £162m* against the estimated cost of securing all benefits with an insurance company, which equates to a funding level of about 57%. This level of solvency funding is typical of many UK pension plans, and the shortfall on this basis would affect members only if the churches and other employers were to become insolvent and unable to support the Scheme. We have no reason to believe that this might happen and the Trustee is legally obliged by the Pensions Regulator to monitor closely the ability of its supporting churches and other employers to meet their obligation to members. The Trustee takes professional advice to help with this.

*for this purpose, the agreed change to pension increases as part of the Family Solution was not yet reflected at the valuation date. If it were, the shortfall would be lower.

How has the position changed since the last Statement?

The position improved over 2018 mainly due to the £33m contribution made by BUGB as part of the Family Solution and contributions paid by employers towards reducing the deficit. The improvement is offset slightly by investment returns being lower than expected over the year.

The Trustee realises that the funding position of the DB Plan will fluctuate over time as financial and investment market conditions change. So long as the participating employers pay the necessary contributions, then the existence of a shortfall will not prevent benefits continuing to be paid in full.

How much do the participating employers contribute to the DB Plan?

As part of the Family Solution BUGB agreed to make total additional contributions of £33.5m on behalf of the Baptist family in order to reduce the deficit. Of this, £33m was paid in 2018, with the remainder due by 2023. Further information on this was set out in our letter to you dated 4 May 2018.

Deficit contributions for churches and other employers will continue at the level agreed for the 2013 valuation, increasing in line with annual changes to Minimum Pensionable Income. These deficit contributions totalled around £4½m pa at 31 December 2016.

It is projected that, if the assumptions made for the 2016 actuarial valuation are borne out in practice, deficit contributions at this level would be sufficient to remove the deficit by December 2028.

What would happen if the employers were unable to pay the necessary contributions?

In general, legislation requires employers to meet their pension liabilities. Even if the worst came to the worst and the employers became insolvent with not enough money in the Scheme to pay for all the benefits, the Scheme may enter the Pension Protection Fund, which provides some compensation to pension scheme members in such circumstances.

Where can I get further information?

For further information about your benefits in the DB Plan, contact BBS (details on the back page of this newsletter). If you are considering making any changes to your pension arrangements you should seek your own professional financial advice.

Is there anything else I need to know?

Regulations require us to confirm to you that the participating employers have not taken any money out of the Scheme since your last summary funding statement. We confirm this is the case and as far as we are aware the participating employers have no intention of doing so in future.

Regulations also require the Pension Trustee to confirm whether the Pensions Regulator has used its powers to modify the Scheme, give it directions, or impose a schedule of contributions upon it. We confirm that it has not needed to use its powers in this way for the Scheme.

CONTACT US

IF YOU HAVE ANY QUESTIONS ON YOUR BENEFITS PLEASE CONTACT: BBS

DB PLAN - PAUL O'LEARY

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TRUSTEE DIRECTORS

TRUSTEE'S ADVISERS

Scheme Actuary

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Actuarial and investment advisers

Lane Clark & Peacock LLP

Administrators

BBS / Broadstone

Auditor

Wilkins Kennedy LLP

Investment managers

Legal & General Assurance (Pensions Management) Ltd
BMO Global Asset Management
Ruffer LLP
CB Richard Ellis Investors
J.P. Morgan Asset Management
Janus Henderson Investors
Royal London Asset Management Ltd

Annuity insurance provider

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*In June 2019, there was a technical change when the Moderator, Chris Maggs, stepped down in his capacity as an individual but was simultaneously appointed as Moderator in his capacity as a Director of the professional independent trustee company, CM Pensions Ltd.