

Draft pensions note for accounts— for employers participating in BPS only [Not applicable for accounting standard FRS102]

This note has been prepared to help employers prepare their accounts for accounting dates on or after 30 September 2020. Employers that are preparing accounts in accordance with FRS102 will need to include different / additional information, and will need to use figures calculated specifically for FRS102. A calculation spreadsheet is available on the BUGB website to assist with FRS102 calculations. Each Employer should discuss the accounting approach with their auditors to make sure the notes include what is required in their individual situation, and to confirm whether the accounting approach is appropriate. BUGB and the Pension Trustee do not take responsibility for this.

The Church is an employer participating in a pension scheme known as the Baptist Pension Scheme (“the Scheme”). The Scheme is a separate legal entity which is administered by the Pension Trustee (Baptist Pension Trust Limited).

The Minister(s) [and some members of the church staff] is / are eligible to join the Scheme.

Since January 2012, pension provision has been made through the Defined Contribution (DC) Plan within the Scheme. In general, members pay 8% of their Pensionable Income and employers pay 6% of members’ Pensionable Income into individual pension accounts. In addition, the employer pays a further 4% of Pensionable Income (or 3% if the employer is in the segregated DC section) to cover Death in Service Benefits, administration costs, and an associated insurance policy which provides income protection for Scheme members in the event that they are unable to work due to long-term incapacity. This income protection policy has been insured by the Baptist Union of Great Britain with Aviva. Members of the Basic Section pay reduced contributions of 5% of Pensionable Income, and their employers also pay a total of 5%.

Benefits in respect of service prior to 1 January 2012 are provided through the Defined Benefit (DB) Plan within the Scheme. The main benefits for pre-2012 service were a defined benefit pension of one eightieth of Final Minimum Pensionable Income for each year of Pensionable Service, together with additional pension in respect of premiums paid on Pensionable Income in excess of Minimum Pensionable Income. The Scheme, previously known as the Baptist Ministers’ Pension Fund, started in 1925, but was closed to future accrual of defined benefits on 31 December 2011.

A formal valuation of the Defined Benefit (DB) Plan was performed at 31 December 2019 by a professionally qualified Actuary using the Projected Unit Method. The market value of the DB Plan assets at the valuation date was £298 million.

The valuation of the DB Plan revealed a deficit of assets compared with the value of liabilities of £18 million (equivalent to a past service funding level of 94%). As a result of the valuation, in addition to the contributions to the DC Plan set out above, it was agreed that the standard rate of deficiency contributions from churches and other employers involved in the DB Plan will remain at previously agreed levels, increasing each year in line with increases in the Minimum Pensionable Income. The deficiency contributions are broadly based on 12% of Pensionable Income / Minimum Pensionable Income, reflecting each employer’s contributions in March 2015. Some employers that were involved in the DB Plan for a short period pay lower contributions. The Trustee and the Council agreed a 50% reduction for all deficiency contributions payable between 1 July 2020 to 31 December 2020.

In addition, the Baptist Union of Great Britain agreed to contribute a lump sum of £0.5m by 31 December 2020. The current Recovery Plan dated 30 September 2020 envisages deficiency contributions continuing until 30 June 2026.

The key financial assumptions underlying the valuation were as follows:

Type of assumption	% pa
RPI price inflation assumption	3.20
CPI price inflation assumption	2.70
Minimum Pensionable Income increases (CPI plus 0.75% pa)	3.20
Assumed investment returns	
- Pre-retirement	2.95
- Post retirement	1.70
Deferred pension increases	
- Pre April 2009	3.20
- Post April 2009	2.50
Pension increases	2.70

As there is a large number of contributing employers participating in the Scheme, the Church is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, due to the nature of the Scheme, the profit and loss charge for the period represents the employer contributions payable. *[Employer to review wording and update as necessary for consistency with the relevant accounting standard.]* The total pension cost for the Church is £xxxx (2019 £yyyy).

[Consequent upon the departure of the Minister from the church in [year], the Church had a cessation event under Section 75 of the Pensions Act 1995. This makes the Church liable for the proportion of the overall deficit (assessed by reference to the cost of securing benefits by the purchase of annuities) applicable to its previous Ministers who were members of the Scheme.

[plus further detail, for example one of the following]:

- a) The Pension Scheme Trustee has the right to quantify and seek payment of this debt at any time at its discretion. The Church is currently in discussion with the Pension Scheme Trustee about settling this debt [which amounts to £X]. [Once the Church has settled this debt, it will have no further obligation to the Baptist Pension Scheme.]
- b) In [year] the Church entered into a “Deferred Debt Arrangement”. Under this arrangement the Church is no longer liable for this debt, but the Church continues to pay the ongoing deficiency contributions as outlined above. There are limited circumstances under the Deferred Debt Arrangement where the Church would become responsible for a debt equal to its share of the current Scheme deficit (assessed by reference to the up to date cost of securing benefits by the purchase of annuities).]

[Note: the above should be updated / removed to reflect your own particular circumstances. Churches that have been offered a Double Cessation Debt Arrangement should consider the extent to which this requires disclosure.]

The next actuarial valuation of the DB Plan within the Scheme is due as at 31 December 2022.