

The Baptist Pension Scheme (“the Scheme”) – Defined Benefit (“DB”) Plan Further update on winding-up the DB Plan and removing future risk exposure

To all employers participating in the Scheme’s DB Plan

This email is being sent to you jointly from the Baptist Union and the Trustee of the Scheme as a participating employer in the DB Plan. It follows on from our March 2024 email on steps being taken to fully secure the Scheme’s DB Plan benefits with the insurance company Just Retirement Limited (“Just”). As you are aware, those steps helped to improve the security of members’ benefits in the Scheme and allowed us to reduce the contributions from employers towards the DB Plan to £1 per month. This letter is a further update on the process to fully transition the DB Plan to Just which will shortly be completed. Just will make the first direct pension payment to DB Plan members who are receiving a pension on 29 November 2024.

In summary, we are delighted to report that we estimate the Scheme’s DB Plan has a surplus. As a result, your £1 per month contributions to the DB Plan will cease after the October contribution and your organisation no longer has any further responsibility towards the DB Plan. We are very pleased that this has been possible to achieve much earlier, and at a much lower cost, than we had anticipated.

What has happened since March 2024?

In our March email we highlighted that the Scheme’s Trustee and its advisers were working to fully transition the responsibility for the DB Plan benefits to the insurance company Just. This has involved extensive work to transfer data to Just, to finalise the benefits payable to members and to make the final premium payments.

We are pleased to confirm that the DB Plan benefits will shortly be transferred over to Just and members will shortly be provided with welcome packs and individual policies from them. This part of the process is known as moving to “buy-out”. From that point Just will be responsible for the administration and payment of the DB Plan members’ pensions.

Just will be legally responsible for paying the DB Plan benefits and the Scheme’s Trustee will be discharged from any further responsibility in relation to the DB benefits of members and their beneficiaries.

The Trustee and the Baptist Union formally triggered the wind-up of the DB Plan with effect from 31 March 2024 and there are a number of tasks to complete before the DB Plan can be wound-up. We currently expect the wind-up of the DB Plan to be completed in the first half of 2025.

Surplus Assets

At the completion of the buy-out the Trustee's advisers estimate that the DB Plan will have around £7m of surplus assets. It was agreed between BUGB and the Scheme's Trustee that up to 50% of the surplus assets would be used to enhance members' benefits and the remainder would be transferred to the Scheme's Defined Contribution ('DC') Plan.

To enhance members' benefits, an additional increase estimated to be around 2.7% will be applied to all pensions that were in payment on 1 January 2023. Those pensions received an increase on 1 January 2023 that was lower than the high levels of inflation seen in the UK at the time. The additional increase goes some way to address this. Members will receive this additional increase in December 2024 and it will be subject to annual increases as appropriate in the usual way.

DB Plan finances

As explained in our March email, one objective of the buy-out is to remove permanently the employers' risk exposure to future deficit contributions. Now that the buy-out has nearly been completed and we estimate the DB Plan is in surplus, we are pleased to say that the Trustee will cease the collection of £1 per month from each employer after the October contribution, and that your organisation will have no further obligation to the Scheme's DB Plan.

You do not need to take any action as a result. The cessation of contributions will be dealt with automatically by our administrators who will update your direct debit mandates.

What about cessation events?

For many years, employers in the DB Plan have needed to inform the Baptist Pensions Team if they were expecting to experience a "cessation event" (broadly, when an employer ceases to have active members in the Scheme's DC Plan). We are very pleased that these complexities have now fallen away.

After wind-up was triggered in March 2024, the previous cessation event regime fell away. Whilst at that stage employers remained potentially liable should any shortfall arise, we can confirm as above your organisation is now released from this commitment with effect from 31 October 2024.

As a result, DB Plan employers no longer need to tell the pensions team about potential cessation events, for example on conversion to a Charitable Incorporated Organisation.

Similarly, there is no longer any requirement to apply for a "period of grace", or take other action to manage a cessation event, if your organisation ceases to have any active members in the Scheme's DC Plan. Employers previously in an existing period of grace have been contacted by the Pensions Team.

If you have any questions about the DB Plan

If you have any questions about the DB Plan please contact the Baptist Pensions Team using this email address pensionshared@baptist.org.uk

What about the Defined Contribution ("DC") Plan?

Although the DB Plan is transitioning to Just, the Scheme's DC Plan will continue to be run as the Baptist Pension Scheme. If you and your minister/employees are currently contributing to the DC Plan, then this will continue as before. None of the DC Plan funds are being transferred to Just.

If members have not yet retired, there is an option to combine both their DB and DC pension benefits at retirement. This can be helpful if they wish to take part of their pension benefits as a tax-free cash lump sum. We have an agreement in place with Just to continue to offer this option.

If you have any questions about the DC Plan and your contributions to it, or about the DC Plan's insurances (life cover and income protection), please contact Broadstone (the Trustee's administrators):

Telephone: 0117 937 8700
Email: baptistpensions@broadstone.co.uk
Address: Broadstone Consultants & Actuaries Limited
Broadstone House
23-25 St George's Road
Bristol BS1 5UU

Next steps

Following the transfer to Just, the Trustee will be working to complete the final tasks to formally wind-up the DB Plan. Please note that, now all the DB Plan benefits have been secured with Just, once the winding up of the DB Plan has been completed, there will be no further assets remaining in the DB Plan and the DB Plan will cease to exist.

Yours sincerely



Chris Maggs
Moderator of the Scheme's Trustee Board



Christopher Jones
Baptist Union Support Services Team Leader