

## *Draft pensions note for accounts – for employers participating in both BPS and BUSPS (January 2018)*

The [Union / Association] is an employer participating in two pension schemes: the Baptist Pension Scheme (“the BPS”) and the Baptist Union Staff Pension Scheme (“the BUSPS”). The BPS and BUSPS are separate legal entities which are both administered by the Pension Trustee (Baptist Pension Trust Limited).

From January 2012, pension provision for the Minister(s) [and some members of staff] is being made through the Defined Contribution (DC) Plan within the BPS. In general, members pay 8% of their Pensionable Income and employers pay 6% of members’ Pensionable Income into individual pension accounts, which are operated and managed on behalf of the Pension Trustee by Legal and General Life Assurance Society Limited. 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 BPS 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 Unum Limited. Members of the Basic Section of BPS 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 BPS, or through the BUSPS. The main benefits were:

- In the BPS, 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; and
- In the BUSPS, a pension of one seventieth of a member’s average salary over the last three years of pensionable service.

The BPS, previously known as the Baptist Ministers’ Pension Fund, started in 1925, and the BUSPS started in 1969. Both schemes were closed to future accrual of defined benefits on 31 December 2011. Neither scheme is contracted out of the State Second Pension.

The table below summarises the main results of the most recent actuarial valuations of the BUSPS and the Defined Benefit (DB) Plan in the BPS. These valuations were performed by a professionally qualified Actuary using the Projected Unit Method.

	BPS DB Plan	BUSPS
Date of valuation	31 December 2013	1 January 2014
Date of next valuation (currently under preparation)	31 December 2016	1 January 2017
Market value of scheme assets (A)	£162m	£7.3m
Technical provisions (B)	£246m	£12.4m
Deficit [(B) – (A)]	£84m	£5.1m
Funding level [(A) / (B)]	66%	59%

As a result of the valuations, in addition to the contributions to the DC Plan set out above, the following deficiency contributions were agreed:

- For the BPS, the standard rate of deficiency contributions payable by churches and other employers involved in the DB Plan is based on 12% of Pensionable Income / Minimum Pensionable Income from 1 January 2016. The contributions are based on each church's or other employer's position at March 2015. Some churches and other employers that were only involved in the DB Plan for a short period pay less than 12%. The Recovery Plan envisages deficiency contributions continuing until 30 June 2035.
- For the BUSPS, £759,000 pa from 1 January 2016. This amount increases each January in line with RPI inflation, and is split between the BUSPS sponsoring employers in line with their estimated share of the BUSPS liabilities. The Recovery Plan that sets out these contributions envisages deficiency contributions being required for some 10 years.

The key financial assumptions underlying the valuations were as follows:

Type of assumption	% pa
RPI price inflation assumption	3.60
CPI price inflation assumption	2.85
Minimum Pensionable Income increases (BPS only)	3.85
Pensionable Salary increases (BUSPS only)	3.85
Assumed investment returns	
- Pre-retirement	5.10
- Post retirement	3.95
Deferred pension increases	
- Pre April 2009	3.60



- Post April 2009	2.50
Pension increases (BPS main scheme pension and BUSPS pension)	
- Pre April 2006	3.40
- Post April 2006	2.30

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As there are numbers of contributing employers participating in both the BPS and the BUSPS, the [Union / Association] is unable to identify its share of the underlying assets and liabilities of the schemes. Accordingly, the profit and loss charge for the period represents the employer contributions payable. The total pension cost for the [Union / Association] is shown in the table below, with last year's figures also shown for comparison.

Total pension cost (£)	[2017]	[2016]
BPS	x,xxx	x,xxx
BUSPS	<u>x,xxx</u>	<u>x,xxx</u>
Total	<u>x,xxx</u>	<u>x,xxx</u>

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[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 in relation to the BPS. This makes the Church liable for the proportion of the overall BPS 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 BPS. It is not possible to quantify this debt without an actuarial calculation. In order to avoid the cost of such a calculation and because the church may not be able to continue its charitable activities following payment of the employer debt which arises upon a cessation event, the Pension Scheme Trustee (after consulting the Pensions Regulator) is not currently pursuing the employer debt, but is instead permitting the church to pay the ongoing deficiency contributions outlined above. However, the Pension Scheme Trustee has the right to quantify and seek payment of the debt at any time at its discretion.]