Draft pensions note for accounts– for employers participating in BUSPS only (January 2018)

This note is only relevant for employers participating in the Baptist Union Staff Pension Scheme. Draft wording for other employers has been provided separately.

The Association is an employer participating in the Baptist Union Staff Pension Scheme ("the Staff Scheme"). The Staff Scheme is a separate legal entity which is administered by a Pension Trustee (Baptist Pension Trust Limited).

Employees are no longer eligible to join the Staff Scheme, which is not contracted out of the State Second Pension.

The main benefit provided by the Staff Scheme is a pension of one seventieth of a member's average salary over the last three years of pensionable service. The scheme started in 1969, but was closed to future accrual of benefits on 31 December 2011.

From January 2012, pension provision for both Ministers and Lay Staff is being made through the Defined Contribution (DC) Plan within the Baptist Pension Scheme. 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 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.

A formal valuation of the Staff Scheme was performed at 1 January 2014 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Staff Scheme's assets at the valuation date was £7.3 million.

The valuation of the Staff Scheme revealed a deficit of assets compared with the value of liabilities of £5.1 million (equivalent to a past service funding level of 59%). As a result of the valuation, in addition to the contributions to the DC Plan set out above, deficiency contributions of £759,000 pa are payable from 1 January 2016. This amount increases each January in line with RPI inflation, and is split between each of the Scheme's sponsoring employers in line with their estimated share of the Scheme's liabilities. The Recovery Plan that sets out these contributions envisages deficiency contributions being required for some 10 years.

The key financial assumptions underlying the valuation of the Staff Scheme were as follows:

Type of assumption	% pa
RPI price inflation assumption	3.60
CPI price inflation assumption	2.85
Pensionable Salary increases (CPI plus 1.0% pa)	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	
- Pre April 2006	3.40
- Post April 2006	2.30

As there is a number of contributing employers participating in the Staff Scheme, the Association is unable to identify its share of the underlying assets and liabilities (particularly the assets). Accordingly, due to the nature of the Staff Scheme, the profit and loss charge for the period represents the employer contributions payable. The total pension cost for the Association is [£xx,xxx] ([2016 £yy,yyy]).

The next actuarial valuation of the Staff Scheme, showing the position at 1 January 2017 is currently underway.