SUMMARY FUNDING
STATEMENT

The Trustee is pleased to be able to provide members with this year's Summary Funding Statement.

What is the purpose of this statement?

We are sending you this statement to tell you about the Scheme'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.

How is the DB Plan assessed?

The Scheme's actuary investigates the financial position of the scheme by estimating the value of assets that the scheme needs to pay the benefits that have been earned to date, as they fall due, and then compares this against the value of the actual assets of the Scheme. To make this estimate, the Trustee and BUGB, on behalf of the participating employers involved with the Scheme, 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 Scheme'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 scheme. If the assets held by the scheme 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 Scheme'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 Scheme (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 1 January 2011. The next valuation will take place as at 1 January 2014, although we also obtain "snapshots" of the position in the years between full valuations. In addition, we are now able to track the progress of the DB Plan's financial position on an approximate basis day by day.

How much do the churches and other employers contribute to the DB Plan?

Following the 2011 valuation, the participating employers pay contributions totalling approximately £250,000 pa towards the deficit in the Scheme, increasing with inflation.

What was the funding level as at 1 January 2011?

The target level of assets as at 1 January 2011 compared to the actual assets held was as follows:

2010 1	£M
Value of assets held in the Scheme	6.1
Target level of assets needed to pay benefits earned to date	9.7
Deficit	3.6
Funding level	63%

The result on the solvency basis as at 1 January 2011 was a shortfall of assets of about £3.5m against the estimated cost of securing all benefits with an insurance company, which equates to a funding level of about 647%. 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.

How has the position changed since 1 January 2011?

The "snapshots" as at 1 January 2012 and 1 January 2013, which are calculated on a more approximate basis, are shown below:

	1 January 2012 £M	1 January 2013 £M
Value of assets held in the Scheme	5.8	6.3
Target level of assets needed to pay benefits earned to date	12.1	11.7
Shortfall in assets	6.3	5.4
Estimated funding level	48%	54%

As reported to you last year, the position deteriorated over 2011 mainly due to a fall in the returns available on British Government bonds ("gilts"). Lower future returns means a higher target level of assets, and a bigger deficit.

The position has improved over the year to 1 January 2013, the main reasons being:

- The deficit contributions paid by the employer
- a small increase in the returns available on gilts over the year leading to a small decrease to the target level of assets; and
- Higher than anticipated investment returns achieved on the Scheme's assets over the year.

The Trustee realises that the funding position of the Scheme will fluctuate over time as financial and investment market conditions change. At the time of writing, financial conditions have improved during 2013, but it is the position at 1 January 2014 that will determine the extent of any changes needed to employer contributions.

So long as the churches and other employers pay the necessary contributions, then the existence of a shortfall will not prevent benefits continuing to be paid in full.

What would be the situation if the participating 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.

When will I receive further updates?

We will send you the next newsletter in 2014 when the results of the 2014 actuarial valuation are known.

Where can I get further information?

Should you require further information you should contact the BBS Pensions Team – contact details are shown at the end of the 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 in the last 12 months. We can confirm this is the case and as far as we are aware the participating employers have no intention of doing so in future.