BAPTISTS TOGETHER
BAPTIST PENSION SCHEME

PENSIONWATCH

JULY 2018

BAPTIST PENSION SCHEME – NEWSLETTER FOR CHURCHES AND OTHER EMPLOYERS

Welcome to PENSIONWATCH

Jesus said, “Do not worry about tomorrow, for tomorrow will worry about itself. Each day has enough trouble of its own.” I wonder if he had pension schemes in mind. They certainly throw up a few troubles of their own.

Looking back over the past year, our focus has been very much on the actuarial valuation of the DB Plan and its substantial deficit. This assessment of the Scheme every three years gives us the opportunity to review contributions, investment strategy, the financial strength of employers and benefits paid to members. We wrote to all members and employers about this in April, to explain the Family Solution agreed with BUGB and the Employers Group. We believe this sets the Scheme up well over the next few years but, as always, the pension and financial environments remain challenging. There are many future unknowns.

Our job as Trustee is to try and manage these ‘troubles’. We are always looking to the future.

We have a few plans over the next year that you can read about in this newsletter.

- In the DC Plan, we are looking to make some changes to the underlying investments in the default strategy. These will include a move towards more ethical investments and a review of the current ethical options.
- We also have to register the DC Plan as a ‘Master Trust’ under new regulations. Longer term we will work with the Employers Group on the structure of the DC Plan going forward.
- In the DB Plan, we continue to review our investment strategy to manage risk exposure and maintain our ethical policy. The additional money from BUGB under the Family Solution is part of this review.

- For those with Supplementary Benefit pensions, statutory pension increases will be implemented this year. Our apologies for the delay in getting this done but the legal dispute with our former advisers has progressed much more slowly than hoped.
- We are looking at new ways to help churches and other employers manage their debt payments through a combination of new legislation and the Family Solution contributions.

So there is a lot going on. Although we have much to do, we are confident that things are moving in the right direction. The commitment of the Baptist Family, as demonstrated in the Family Solution, is a reassuring encouragement. We continue to plan, and to pray, but we need not worry.

Chris Maggs

Chris Maggs
Moderator of the Trustee of the Scheme

Chris is a member of the Institute of Actuaries and spent 23 years as a pensions consultant to organisations operating similar schemes to our own. He made a career change to pension trustee work at the beginning of 2013 and became a trustee of our Scheme early in 2014. He is a treasurer of a Baptist church in Solihull.

ACTION POINTS

As well as providing you with an update on the Scheme and other pensions news, this newsletter details a number of important actions that you should be taking as an employer to ensure you are fulfilling your role properly. The key actions you need to take are summarised below.

Help the Scheme run smoothly and cost effectively

- If you are one of the small number of employers which has not yet registered as a user on the Employer Hub, please do so as soon as possible. The Hub provides key information, helps you to comply with your legal obligations and allows your organisation to communicate with us faster and more securely (see page 8 for more details).
- Use the Employer Hub to:
    - notify us of any changes to your Scheme membership or their pensionable income figures.
    - apply for a Period of Grace and receive instant confirmation
    - check your organisation's Automatic Monthly Debt Estimate (AMDE)
    - keep your contact details up-to-date
    - tell us if your organisation's email address for correspondence changes.
- Please use the Scheme website and/or the Employer Hub as your first port of call, if you have any questions about the Scheme. We have shown links to both of these on page 9.
- Provide us with your organisation's financial details for 2017 when requested to do so later this year. Your organisation is legally obliged to provide this information to the BPS Trustee. See page 15.

Avoid "bear traps"

- Cessation events: if you are a participating employer in the closed DB plan and your last active member leaves your employment, then please inform LCP immediately. If you wish to avoid a cessation event, you will need to apply for a "period of grace".
- If you are in a period of grace that is approaching its end, you must make provision to enrol a new Scheme member within before the period of grace ends if you want to avoid a cessation event.
- Auto-enrolment: ensure that you are doing everything required of you under the pension Auto Enrolment requirements. In particular, please ensure you understand which employees must be auto enrolled and that you comply with the Certification and Declaration of Compliance requirements (you can find more information about Auto Enrolment on the BPS website)
- Illness: if a member of the Ministers or Staff Sections of the DC Plan in your service is off sick for four weeks, notify LCP immediately (this is a requirement of the Scheme Income Protection insurance policy).
- Change of legal structure: if you are considering changing the legal structure of your church or organisation, ensure that you identify any pensions implications, including the potential risk of inadvertently creating a cessation event, at the earliest possible stage in your planning.

ABOUT THE SCHEME

The Baptist Pension Scheme has two sections: the closed DB Plan and the DC Plan

The closed DB Plan

- Provides defined benefits for service up to 31 December 2011.
- There are more than 1,200 "participating employers", responsible under UK pensions law for financing the DB Plan.
- Each church or other employer that had a member in the BMPF at any time between 1 September 2005 and 31 December 2011 remains liable for funding the Scheme until their liabilities are fully settled.
- The funding position is formally reviewed every 3 years by the Trustee and revised employer contributions are then agreed with BUGB on behalf of all the employers.
- We wrote to you earlier this year to inform you of the new "Family Solution" to the recent valuation. This is a set of measures agreed between BUGB, the Employers Group and the Trustee to substantially reduce the deficit in the Scheme.
- Fuller details are included in that letter, however a summary is as follows:
  - Following the December 2016 review, employer contributions will continue at the level agreed for the 2013 valuation, increasing in line with annual changes to Minimum Pensionable Income. These deficit contributions totalled around £4½m per year at 31 December 2016.
  - BUGB has agreed to make total additional contributions of £33.5m on behalf of the Baptist family in order to reduce the current deficit. At least £30m will be paid in 2018, with the remainder by 2023.
  - It is projected that, if the assumptions made for the 2016 actuarial valuation are borne out in practice, deficit contributions at this level would be sufficient to remove the deficit by December 2028.
- More recent updates on funding and investments are provided later in this newsletter.
- Administration of the DB Plan was outsourced to LCP in 2015.

ABOUT THE SCHEME (cont.)

The DC Plan

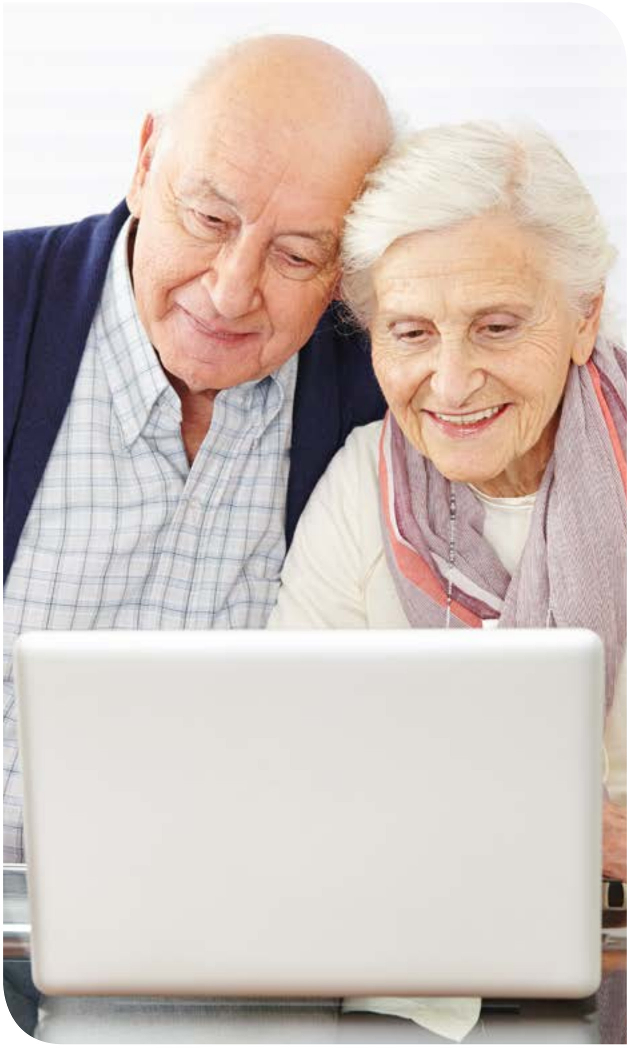
- Provides defined contribution benefits for service from 1 January 2012.
- Divided into the Ministers' section, the Staff section and the Basic section.
- Administered and invested on the Trustee's behalf by Legal & General, although LCP manage the collection of DC Plan contributions alongside DB Plan deficit contributions.

How does the DC Plan work?

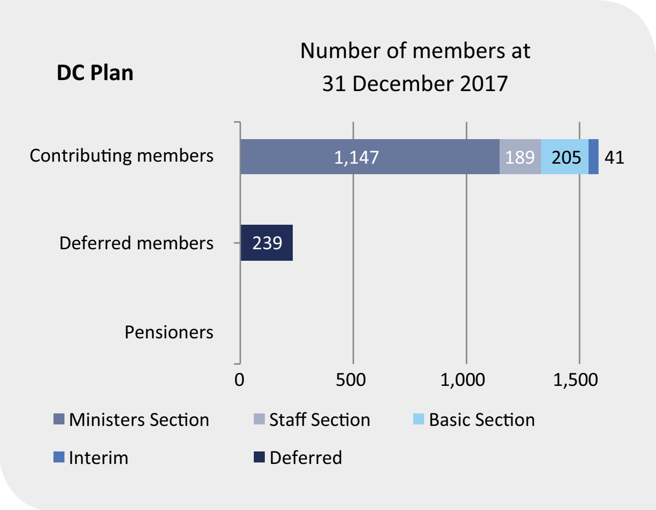
- Contributions from both members and their church / employer are invested in individual Pension Accounts.
- Each individual's Pension Account is invested in the investment fund(s) they have chosen. There is a default option for individuals who do not make a choice. Individuals who wish actively to manage their pension savings, can choose from a wide range of investment funds and ethical options are available.
- When members come to retire, the value of their Pension Account is used to provide their benefits.
- Since April 2015, the law has given individuals more choices on how they take their DC benefits.

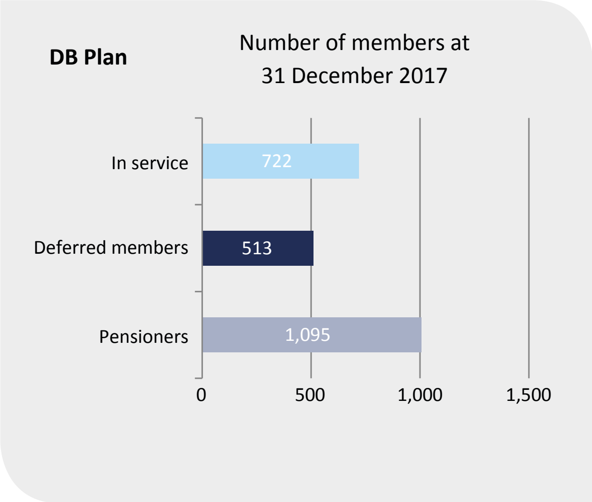
Where can I go to get more information?

- The BPS Website: www.baptistpensions.org.uk
- The Employer Hub: https://hublogin.lcp.uk.com/account/signin
- LCP (contact details on back page)



AT A GLANCE





Note: Members with benefits in both the DB Plan and the DC Plan are included twice.

The following table summarises the figures in the draft 2017 Scheme accounts:

Income and expenditure	DC Plan	DB Plan
Assets at 31 December 2016	£27.5m	£219.3m
Contributions from employers	£3.3m	£8.9m
Contributions from members	£3.1m	-
Transfers and other income	£0.5m	-
Benefits and expenses paid	(£1.8m)	(£9.8m)
Return on investments	£2.5m	£17.3m
Transfer between sections	(£0.6m)	£0.6m
Assets at 31 December 2017	£34.5m	£236.3m

Pension Quality Mark

We are pleased to announce that the DC Plan has been awarded the Government-recognised Pension Quality Mark. To achieve this we had to demonstrate that the DC Plan meets high standards of contributions, governance and communications.

PENSION QUALITY MARK

HELP US TO HELP YOU

We continue to improve the way that we communicate with you, making more information readily available and at your fingertips. This is partly through the Employer Hub, which is a fantastic tool that is available to all employers. In summary you should use the Employer Hub to:

- Notify us of a member leaving the Scheme and, where applicable, apply for a Period of Grace at the same time (see page 10 for more information). This recent development to the Employer Hub has made the process of applying for a Period of Grace much easier for you.
- Notify us of any other changes to your organisation's Scheme membership (eg leavers, changes in Pensionable Income).
- View your organisation's Automatic Monthly Debt Estimate.
- Keep your contact details up to date or notify us of another person to contact.
- Provide us with a summary of your organisation's financial details for 2017 (see page 15).

You are also likely to be able to find anything else that you need on the Scheme's website at www.baptistpensions.org.uk.

Given the current funding position of the Scheme, it is really important that we all do what we can to reduce the Scheme's expenses. Whilst we recognise that there will be the odd occasion where you still need to contact LCP directly, we would expect that the Employer Hub and the Scheme's website should provide you with much of what you need. In fact, many of you have already started to "self-serve" which helps enormously with the management of these expenses. We would therefore like to thank you for your help with this and would encourage this to continue.

Payment of pension contributions

As previously advised, we are unable to make retrospective adjustments to the contributions collected from you. It is therefore very important that you inform LCP as soon as you become aware of any changes to your membership (eg joiners and leavers) and their Pensionable Income figures.

Contributions are collected at the end of each month (eg contributions for September are collected at the end of September) and, as a result of legal rules regarding direct debit collections, any changes that impact on this must be processed by LCP around 4 weeks before the collection date.

Your key actions:

- Make use of the Employer Hub
- When you have a query, start by looking on the Hub, or the Scheme's website (www.baptistpensions.org.uk)
- Keep LCP informed of any changes to your contact details
- Inform LCP of any changes to your Scheme's membership as soon as possible

CESSATION EVENTS

It is still essential for your organisation to understand and correctly manage any issues that might arise from a possible cessation event.

For as long as there is a deficit in the DB Plan, a participating employer will trigger a 'cessation event', when it ceases to employ any active members of the Scheme. When a cessation event arises, the employer becomes liable for an 'employer debt'. This means that it has an immediate legal obligation to pay its share of the deficit. The amount of an employer debt depends on the participating employer's history of having members in the DB Plan, but it will normally be a substantial sum.

Hence, for ongoing employers, cessation events and their associated employer debts are to be avoided unless an employer is clear that it has the resources to meet the debt and wishes to pay it off.

Since the 2017 newsletter was issued, we have continued to provide Automated Monthly Debt Estimates on the Employer Hub to assist you in this.

Dealing with Double Cessation Events

The revised Employer Debt Regulations, which came into force on 6 April 2018, unfortunately did not deal with the issues relating to double cessation events, where the regulations can cause church deficits to be double counted. A number of the Scheme employers are affected by this.

The Employers Group and Trustee are currently working on a solution to this issue. The matter is technically complex and there is still much work to be done, so please be patient if you are one of the Scheme employers affected by this. We hope to be in a position to provide more information during quarter three this year.

Deferred Debt Arrangements

The Trustee is currently considering use of the new "deferred debt arrangement" facility recently introduced by the government.

We will provide further information on this in due course.

How to avoid a cessation event if your last active Scheme member leaves your employment

1. Apply for a period of grace – this is a statutory provision, available where the employer intends to employ another active member of the Baptist Pension Scheme. During a period of grace, which may last up to three years, you will be treated as if you were still an employer of active members

2. It is the sole responsibility of the employer to apply for a period of grace. Obtaining a period of grace is a simple process, but very inflexible, so it is essential that you understand what needs to be done and by when. The request should be made as soon as possible after you become aware that your last active Scheme member will be leaving. The very latest that a request can be made is three months after you cease to employ an active Scheme member. This time limit is set out in pensions regulations and no extension is permitted.

3. If you fail to request a period of grace within the time limit, a cessation event occurs and an employer debt is due immediately.

4. You should apply for a Period of Grace through the Employer Hub.

What happens at the end of a period of grace if you have not employed a new active Scheme member?

1. If you do not employ an active member by the last day of the period of grace, then you are treated as if the period of grace had not existed. This means that a cessation event has occurred at the date when you ceased to employ at least one active Scheme member and the employer debt becomes due in full.

2. If you employ an active member during the period of grace, the period of grace ends and you will be treated as if no cessation event had occurred.

3. If you still intend to employ another active Scheme member, then it may be possible under the Scheme Rules, to employ an Interim Member (IM). In essence, an IM is a temporary appointment effective until you are in a position to appoint a new permanent employee. Further details can be found on the BPS website.

What happens if you do not intend to employ another active member of the Scheme?

1. A period of grace is not available in these circumstances. The employer debt must be paid in full.

What happens if your church is closing?

1. This will trigger a cessation event and any pension liabilities need to be dealt with as a part of the closure process.

2. It is essential to contact us to check whether a debt is due before any assets are disbursed.

What happens if the legal structure of your organisation changes?

1. Under pensions regulations, a change in legal structure (for example conversion to a CIO, or a formal amalgamation of two existing churches) may lead to a cessation event.

2. There is a legal process set out for managing the pensions implications of such a structural change and avoiding a cessation event. It is quite bureaucratic and cannot be applied retrospectively.

3. It is therefore, essential that you contact the Scheme at a very early stage in your planning to consider any pensions implications.

PENSION NEWS

automatic enrolment

As we have outlined in previous newsletters, workplace pensions law has changed.

Every employer has new legal duties to help their employees save for retirement. You must automatically enrol certain workers into a qualifying workplace pension scheme and make contributions towards it.

The Pensions Regulator has produced a detailed step by step guide to the auto enrolment process: www.thepensionsregulator.gov.uk/employers/beginners-guide-to-auto-enrolment.aspx

The BPS has also provided detailed guidance notes on auto enrolment which are available at the following link: http://www.baptistpensions.org.uk/auto-enrolment

All sections of the DC Plan are designed to more than meet the current minimum automatic enrolment requirements and the Basic Section offers pension saving at lower contribution levels for both members and employers than the other sections of the DC Plan. However, the DC Plan may not necessarily be the best option for providing pensions for your staff, especially for lower-paid employees, and there are specific restrictions on the circumstances in which it would be available for use (see section 9 of the BUGB note available on the website linked above). You can also consider alternatives such as NEST (the workplace pension set up by government). www.nestpensions.org.uk

Scamproof your members' savings

Pension scams. Don't get stung.

Help your staff to be aware of pension scams, where they may be tricked into handing over their pension pots by fraudsters. Many of the "deals" seem very convincing, starting with offers of excellent returns.

However, once the money is transferred into a scam it's too late, and the member could end up losing all his or her hard earned pensions savings and in some cases face a tax bill of up to 55%.

The government has made provision for regulations to be introduced designed to ban cold-calling in relation to pensions. No reputable pension company does cold-calling and you should tell your staff to be on their guard – if they receive an unsolicited call about their pension it is likely to be an attempt to scam them.

There have been lots of reports in the pension press recently about scams, including the jail sentencing of two individuals who persuaded a number of individuals to transfer c£1m into a bogus pension scheme. These individuals were told they could access pension benefits before age 55 (this is not true and attracts a very penal tax liability!) and were credited with about half of their money. The other half was spent by the pension scammers. The threat of pension scams is real!

The Pensions Regulator has produced some tips to help give the best possible protections against pension scammers, which you can find at:

http://www.thepensionsregulator.gov.uk/individuals/dangers-of-pension-scams.aspx

LEGAL ISSUES

Supplementary Benefits

The complex issues around the treatment of Supplementary Benefits, highlighted in the past three employer newsletters have yet to be concluded. However, we have now reached the stage where our legal advisers have confirmed that it is in order to apply increases to Supplementary Benefit pensions (granted from contributions made between April 1997 and April 2006) when those pensions are in payment. We are calculating the payments due to affected members and will be contacting individuals about this before the end of the year. We regret the ongoing delay in fully resolving this difficult matter.

DC Master Trust

New legislation is being introduced for schemes known as Master Trusts. These are schemes that provide DC benefits and are used by two or more unconnected employers and are typically run by companies who are trying to make a profit. They became popular when Auto-enrolment was introduced in the UK back in 2012. From October 2018, the new legislation requires that all Master Trusts must comply with a very substantial set of regulations and are required to apply for and obtain authorisation from the Pensions Regulator if they wish to continue to run as a Master Trust.

Unfortunately, the new definition of a Master Trust includes multi-employer schemes like the Baptist Pension Scheme and therefore the Trustee is required to apply for authorisation. The Trustee will be working very hard over coming months to ensure that the Scheme meets the new requirements and we will keep you up to date in future communications.

General Data Protection Regulations

The General Data Protection Regulation (GDPR) came into force on 25 May 2018, changing data protection laws across the EU (including the UK). The GDPR affects virtually every individual, business and entity across the EU and this includes trustees and managers of pension schemes such as the Baptist Pension Scheme.

Earlier this year members were sent a privacy notice providing them with information about the personal data held about them which is needed to administer the Scheme and pay benefits from it. It explained the type of information collected, how it is used and who it is shared with.

A summary of the Trustee's approach to data is as follows:

We must have a legal reason to use members' personal data and this will usually be:

- to comply with legal or contractual requirements;
- for the performance of contractual requirements;
- for the legitimate interests of administering the Scheme; or
- with members' consent.

The Trustee, the Scheme Actuary and the administrators will share members' personal data with each other as necessary and with other advisers and service providers used to help administer the Scheme. We may transfer member data to employers or former employers, the Baptist Union of Great Britain as the main participating employer in the Scheme and their advisers, for the purposes of assisting us to comply with our legal duties in operating or winding up

LEGAL ISSUES (cont.)

the Scheme, managing the risks of the Scheme and/or for designing additional options for persons with rights in the Scheme.

In some circumstances, we may need to pass personal information to other third parties. In the event that any such third party processes personal information, reasonable steps will be taken to ensure that such third party agrees in writing to act only on our instruction and provides appropriate guarantees in respect of the technical and organisational security measures governing the processing to be carried out.

We do not carry out any automated decision making using members' personal data and we will not use or share data for marketing purposes.

We will keep personal data, in accordance with the law and regulatory guidance, for as long as is necessary for the purpose(s) for which it was collected and for so long afterwards as we consider may be required to deal with any questions or complaints that we may receive about the administration of the Scheme. When no longer needed, we will ensure that personal data is securely destroyed.

Members and employers do not need to take any action as a result of the GDPR coming into force but if you have any questions please contact Mark Hynes at the BUGB Pensions Office (Tel: 0787 969 0918 Email: mhynes@baptist.org.uk).

EMPLOYER FINANCIAL INFORMATION AND THE "EMPLOYER COVENANT"

"Assessing the employer covenant is complex and requires openness and cooperation between trustees and their sponsoring employers" The Pensions Regulator, June 2009

The employer covenant is the legal duty and the ability of the Scheme employers to fund the DB pension plan.

The Pension Trustee is legally obliged by the Pensions Regulator to monitor the strength of the employer covenant and consequently, the Scheme employers are legally obliged, under both pensions law and charity law, to provide the Pension Trustee with their organisation's financial information.

It is essential to understand the strength of the covenant because it can have a material impact on a scheme's actuarial assumptions, investment strategy, size of deficit, recovery plan terms and the timing and size of additional financial contributions that have to be made by the scheme employers.

It is therefore in the interests of every employer that the covenant information held by the Scheme is as comprehensive and accurate as possible.

The Scheme appoints PWC as its specialist covenant adviser and later in 2018, we will again be asking all employers to complete the PWC online covenant questionnaire. You can help us to minimise the cost and complexity of the covenant analysis work by doing this promptly and accurately.

Guidelines for pension notes to accounts

There is various information available on the Baptist Pensions website to help you to complete the pensions notes required in financial accounts.

This includes an FRS 102 calculator, which will enable you to complete an FRS102 disclosure in respect of the deficiency contributions paid by your organisation to the Baptist Pension Scheme.

In addition to the figures from the FRS 102 calculator, entities may wish to disclose contingent liabilities (such as figures from Automated Monthly Debt Estimates), although that is separate from doing FRS102 disclosures for those entities that need to do so. If in doubt you should ask your auditor what you need to disclose.

EMPLOYERS' GROUP

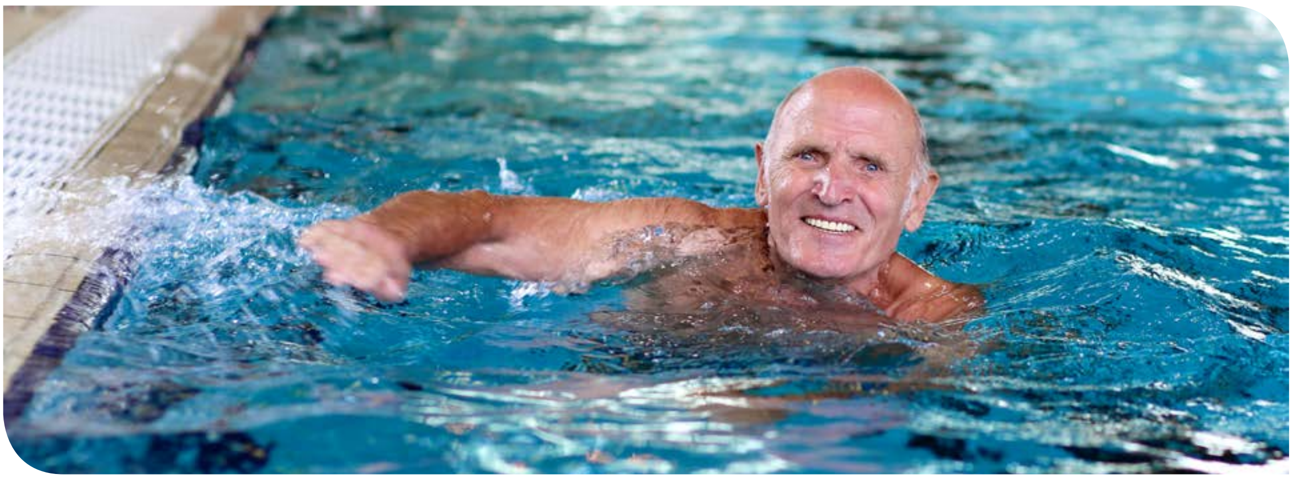
Message from the Baptist Pension Scheme Employers' Group

As you read this, you will know that the Pension Trustee and the Employers Group (EG) recently reached agreement on the Family Solution. Given the size of the deficit as at 31 December 2016, this was a huge achievement. We have now received an acknowledgement of the recovery plan submitted to 'the Pensions Regulator' (tPR) and a statement indicating that no action is necessary to revisit the plan from tPR's perspective. This is excellent news for the future implementation of the Family Solution.

Whilst financial challenges remain it's a good time to acknowledge with immense gratitude the support the EG has received from so many within the Baptist family, including Associations, Colleges, Unions, RBMHS and of course not forgetting our c1,300 churches and other related organisations who have been paying deficit contributions towards the pension deficit for many years now.

The EG will do everything within its power to ensure, as far as anyone can, that our 10 year recovery plan is achieved, relieving us all as Baptists Together of this financial burden.

So what next, and how can you help? The EG is currently reviewing the financial data supplied by many of you to help us establish the strength or otherwise of the employers' covenant. This is a very important element of the recovery plan submitted to tPR and it's vital that churches and related organisations provide accounting information to the Pension Trustee whenever it's requested. At the last request for information, only 75% of churches and related organisations had submitted the information requested, even



after reminders were sent out. Whilst supplying this information to the Pension Trustee is not a direct responsibility of the EG, nevertheless the EG has expressed concern about the response rate. Any lack of information supplied weakens the employer covenant and could weaken any negotiations with tPR in the future. In addition, the lack of information could at its worst threaten to undermine the Family Solution. So, the next time the Pension Trustee asks you for financial information, please respond positively by providing the information sought.

Can we also remind all churches and related organisations which are charities, that failure to supply a copy of your accounts to anyone who asks for them, including the Pensions Trustee, is a breach of charity legislation and therefore illegal. At its worst a church or related charity could end up being reported to the Charity Commission for non-compliance. None of us in the Baptist family would ever want that to happen, which is why we have stressed the importance of providing information when requested, so that next time a request is made, together we will achieve a 100% response rate. Thank you.

If you would like to write to us at any time please write to Malcolm Broad, EG Moderator, using email: pensionemployersgroup@baptist.org.uk or by post to Baptist House, PO Box 44, 129 Broadway, Didcot, Oxfordshire. OX11 8RT.

INVESTMENT UPDATE

DB Plan investments

The Trustee of the Scheme is responsible for deciding how to invest the DB Plan's assets.

Before deciding how to invest, the law requires us to take advice from qualified investment consultants. The law also requires us to delegate day to day investment decisions to fund managers who are authorised by regulatory authorities. This is designed to ensure that we are guided by experts when taking decisions about the investments which we make on your behalf.

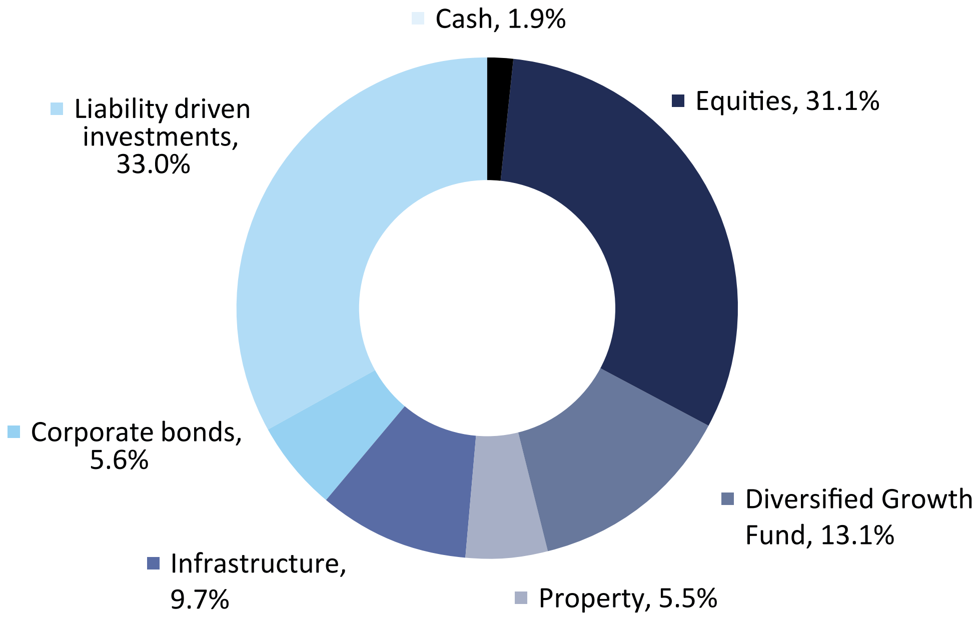
How do we decide how to invest?

When choosing an appropriate investment strategy we take account of many factors, including:

- The long timeframe over which the Scheme will continue to pay pensions.
- The balance of risk and potential reward.
- The employers' ability to make additional contributions in future if we do not achieve the investment returns we hope for.
- Our ethical investment policy.

Choosing the right investment strategy is a difficult balance, and one which we monitor carefully.

Asset allocation as at 31 December 2017



Total Assets: £220.4m

Note: The total asset figure shown above excludes current assets and liabilities, so may differ from the figure shown in the "At a Glance" summary earlier in this newsletter

Recent changes to Investment strategy

The Trustee has continued to monitor and evolve the Scheme's investment strategy, in light of investment market developments and new opportunities. Over the course of 2017, changes have been made to the Scheme's investment strategy in order to further improve the Scheme's balance of risk and potential reward.

The main step taken was to introduce an allocation to global infrastructure, in order to increase the diversification of the Scheme's investments and access assets offering an attractive long-term return. This investment was made by reducing the Scheme's exposure to higher risk Diversified Growth Funds and to the Scheme's corporate bond investments given the overall bond allocation had increased above target.

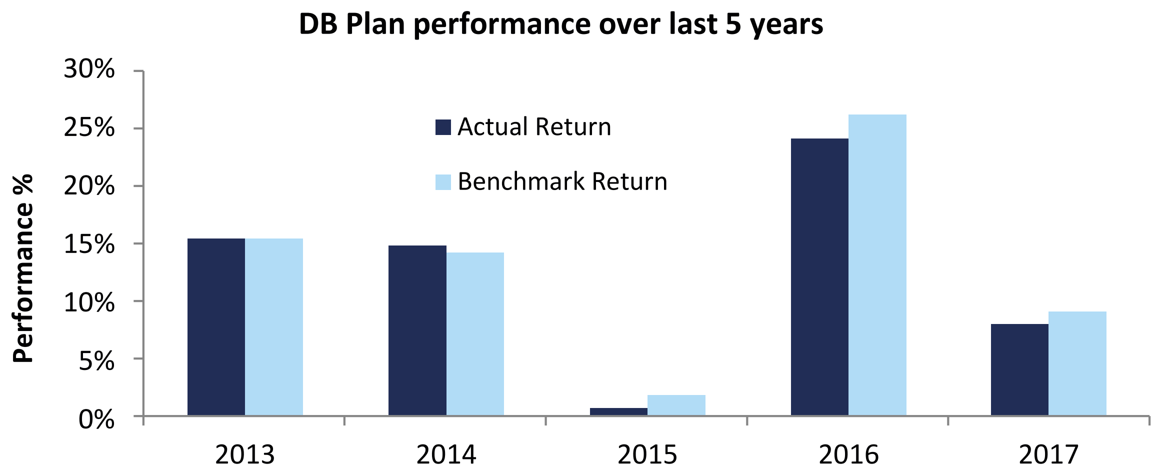
Recent performance

Over the year to 31 December 2017, the overall return on our assets was +8% and over five years has averaged +12% per year. Underlying this positive outcome is a variety of factors specific to each assets class and the movement of individual markets. We compare the returns achieved on the Scheme's assets against a "benchmark", or target level of return for each of the asset classes.

INVESTMENT UPDATE (cont.)

During 2017, and over a five year period, the overall return on our assets has been slightly behind the average of the managers' targets, as shown in the chart below. The main areas of relative underperformance were the LDI funds and the Diversified Growth Funds, partly offset by strong performance from the corporate bond manager. The Trustee has an Investment Committee that meets with its consultants and the managers regularly to discuss their performance and make adjustments where necessary. In particular, we note that as part of its ongoing assessment of the Scheme's relative performance over 2017, the Investment Committee has decided to remove one struggling Diversified Growth manager and considered in detail the technical reasons behind the LDI performance.

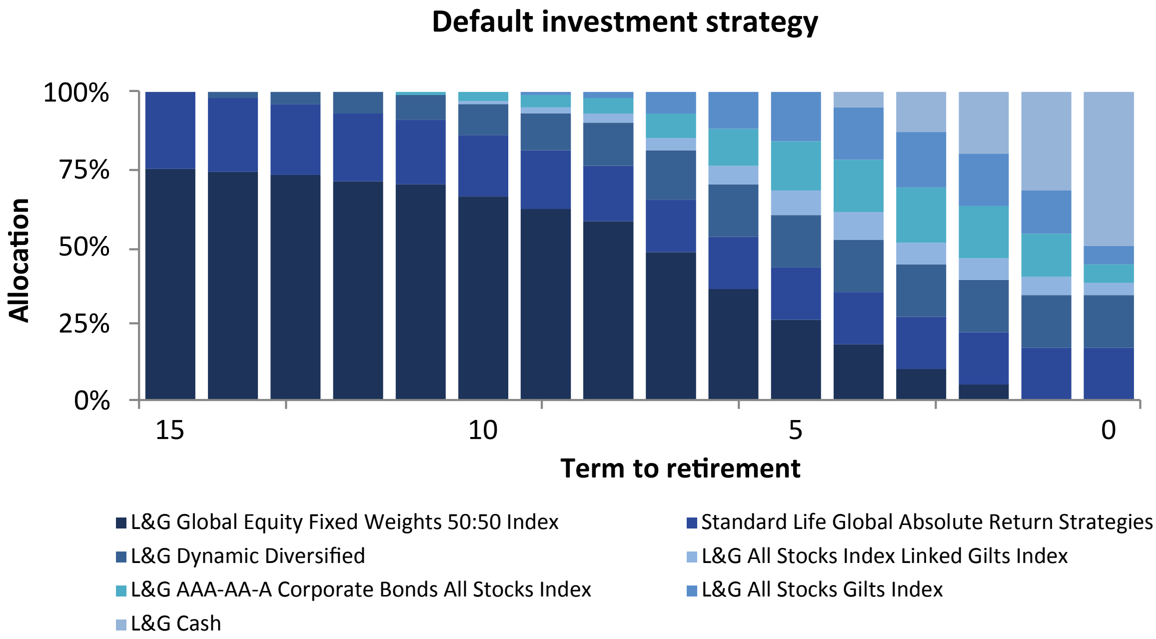
The chart below shows the performance of the Scheme over the last five years.



DC Plan investments

In 2017, the Plan's investment advisors and lawyers confirmed that the Scheme could offer an ethically invested default investment strategy for members of the DC Plan. Up to this point, ethically invested investment strategies have only been available to those members who select them.

These have proved a popular choice so the Trustee is now working with their advisors to design a new default strategy on this basis. Changes to the default strategy are not expected to be introduced until later in the year or early next year and we will write to members nearer the time with further details.



Performance over 1, 3 and 5 years

Fund	1 year			3 years			5 years		
	Fund (%)	Benchmark (%)	Relative (%)	Fund (% pa)	Benchmark (% pa)	Relative (% pa)	Fund (% pa)	Benchmark (% pa)	Relative (% pa)
L&G Global Equityty Fixed Weights 50:50 Index	14.3	14.1	0.2	13.1	12.9	0.2	13.1	13.0	0.1
Standard Life Global Abs Return Stategies	3.9	5.5	-1.6	2.0	5.6	-3.6	4.0	5.6	-1.6
L&G Dynamic Diversified Fund	9.6	4.8	4.8	8.4	4.9	3.7	8.3	4.9	3.4
L&G All Stocks Index Linked Gilts Index	2.3	2.3	-	8.0	8.0	-	8.6	8.6	-
L&G AAA-AA-A Corp Bond All Stocks Index	3.7	3.5	0.2	4.8	4.7	0.1	5.2	5.2	-
L&G All Stocks Gilts Index	1.8	1.8	-	4.1	4.1	-	4.3	4.3	-
L&G Cash	0.2	0.2	-	0.4	0.3	0.1	0.4	0.3	0.1

Performance is shown before the deduction of fees.

FUNDING UPDATE

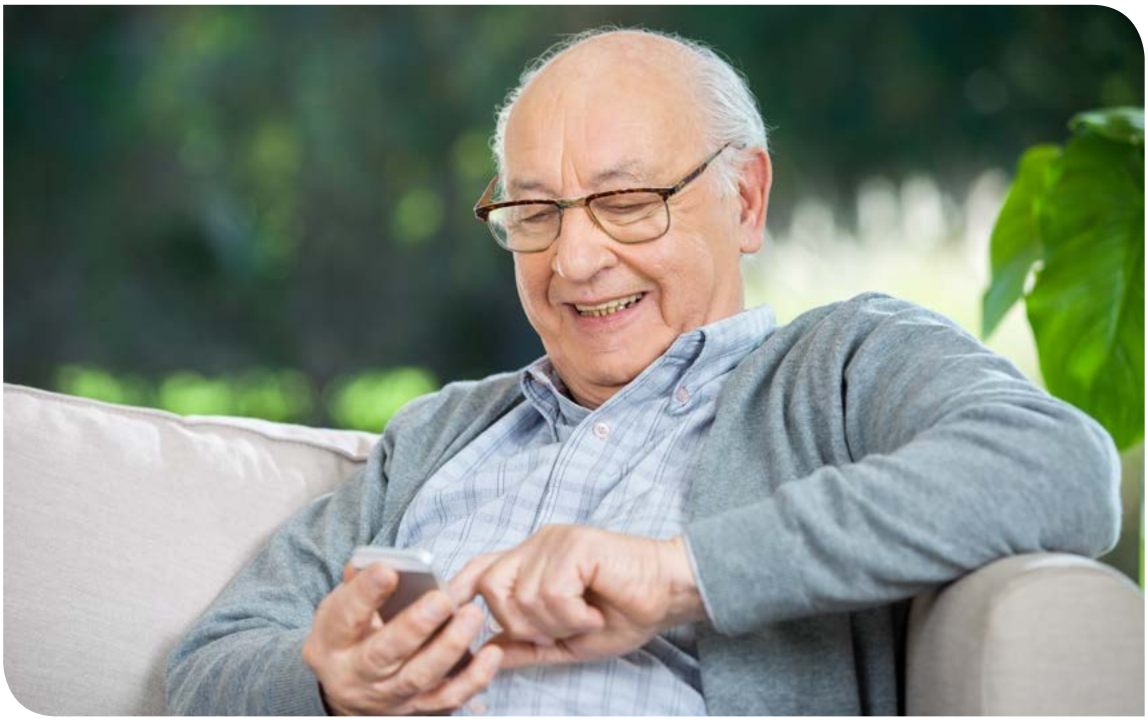
At least once every three years, we must make a full assessment of the financial position of the DB Plan to check what needs to be done so that it is able to pay all benefits when they are due.

This assessment, which is called an actuarial valuation, helps the Trustee and BUGB agree the level of deficit contributions that churches and other employers will pay over the following three year period to meet any shortfall in the DB Plan's finances.

Snapshots of the Scheme's funding level

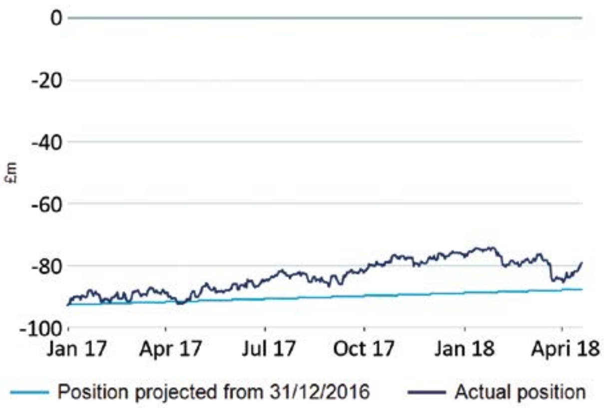
The results of the latest full actuarial valuation as at 31 December 2016 were set out in our letter to you dated 4 May 2018. These are repeated below, alongside a more approximate snapshot of the position in 2017.

Item	31 Dec 2016	31 Dec 2017
Value of assets held in the Scheme	£219m	£237m
Target level of assets needed to pay benefits	£312m	£314m
Shortfall in assets	£93m	£77m
Estimated funding level	70%	75%



As well as these annual updates, we are able to track the progress of the DB Plan's financial position on an approximate basis day-by-day. The chart below shows the following:

- "Projected position": how the shortfall would gradually have reduced over time if the assumptions made for the 2016 actuarial valuation had been borne out in practice and deficiency contributions were paid; and
- "Actual position": the approximate shortfall each day, allowing for actual movements in investment markets.



This chart highlights the substantial risks that remain within the DB Plan, as the shortfall can vary considerably even over short periods. It would be possible to further reduce the risk within the DB Plan's investment strategy, but there would be a corresponding reduction in expected returns. This would mean that deficiency contributions from the employers would need to increase or be paid for even longer to make up the difference.

Changes since the last Statement

The position improved over 2017 mainly due to the contributions paid by the employers, together with movements in investment markets over the year working in the Scheme's favour.

Level of deficit contributions

Deficit contributions for churches and other employers will continue at the level agreed for the 2013 valuation, increasing in line with annual changes to Minimum Pensionable Income. These deficit contributions totalled around £4½m pa at 31 December 2016.

BUGB has agreed to make total additional contributions of £33.5m on behalf of the Baptist family in order to reduce the current deficit. At least £30m will be paid in 2018, with the remainder by 2023. Further information on this was set out in our letter to you dated 4 May 2018.

Looking ahead

It is projected that, if the assumptions made for the 2016 actuarial valuation are borne out in practice, the revised deficit contributions would be payable until December 2028, at which point the deficit will have been removed.

The next triennial valuation is due as at 31 December 2019.

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