

Draft pensions note for accounts– for employers participating in both BPS and in BUSPS prior to BUSPS winding-up (not applicable for FRS102)

This note has been prepared to help employers prepare their accounts for accounting dates on or after 30 September 2019.

Employers that are preparing accounts in accordance with FRS102 will need to include different / additional information, and will need to use figures calculated specifically for FRS102. A calculation spreadsheet is available on the BUGB website to assist with FRS102 calculations for BPS.

Each Employer should discuss their accounting approach with their auditors to make sure the notes include what is required in their individual situation, and to confirm whether the accounting approach is appropriate, particularly as the BUSPS has now been wound up. BUGB and the Pension Trustee (and their advisers) do not take responsibility for this.

The BUSPS wound up during 2019 however this note includes wording in relation to the BUSPS. Each employer should consider the extent to which disclosure about BUSPS is required and the extent to which the BUSPS wording can be shortened.

The [Employer] is an employer participating in the Baptist Pension Scheme (“the BPS”) and prior to the current year-end was also participating in the Baptist Union Staff Pension Scheme (“the BUSPS”). The BPS is a separate legal entity administered by the Pension Trustee (Baptist Pension Trust Limited). The BUSPS has now wound up but was also a separate legal entity administered by the Pension Trustee.

From January 2012, pension provision for the Minister(s) [and some members of staff] has been 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. 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 Aviva. 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 prior to its wind-up. 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. The BUSPS completed winding-up on 18 September 2019.

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 2016	1 January 2017
Date of next valuation	31 December 2019	n/a – Scheme is in wind-up
Market value of scheme assets (A)	£219m	£10.3m
Technical provisions (B)	£312m	£16.2m
Deficit [(B) – (A)]	£93m	£5.9m
Funding level [(A) / (B)]	70%	64%

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 remains at previously agreed levels, increasing each year in line with increases in the Minimum Pensionable Income. The deficiency contributions are broadly based on 12% of Pensionable Income / Minimum Pensionable Income, reflecting each employer's contributions in March 2015. Some employers that were involved in the DB Plan for a short period pay lower contributions. In addition, the Baptist Union of Great Britain contributed a lump sum of £33m in 2018 with a further £0.5m to follow, and changes to Scheme benefits were agreed. The Recovery Plan envisages deficiency contributions continuing until 31 December 2028.
- For the BUSPS, previously agreed contributions of £759,000 pa (payable from 1 January 2016 and increasing each January in line with RPI inflation) were due until 31 January 2018. Following this, a lump sum payment of £2,734,062 was paid in February 2018 and further contributions were made to ensure the Scheme had sufficient assets to secure the BUSPS benefits in full with an insurer. The total contributions were split between the sponsoring employers in line with their estimated share of the BUSPS's liabilities. These significant contributions were part of a plan to wind up the BUSPS. The Scheme formally triggered wind-up on 31 August 2018, and wind-up was completed in September 2019. As part of this, the benefits for BUSPS members who are also active members of the BPS were increased to offset the fact that their BUSPS benefits will no longer increase in future in line with changes in their salary. An additional contribution was also been made to the DC Plan within the BPS for members who are yet to retire and have a BPS DC fund. In practice the Association paid money to BUGB in 2018 which was intended to cover all of the Association's outstanding commitments to the BUSPS, and a portion of this money (to the extent it was not required to secure the benefits in full and cover outstanding costs) was returned to the Association by BUGB in 2019. *[Note – Association would need to consider how to account for the payments made to/from BUGB in relation to the Association's liability to the BUSPS and the winding up.]*

The key financial assumptions underlying the valuations were as follows:

Type of assumption	BPS % pa	BUSPS % pa
RPI price inflation assumption	3.50	3.45
CPI price inflation assumption	2.75	2.70
Minimum Pensionable Income increases (BPS only)	3.50	n/a
Pensionable Salary increases (BUSPS only)	n/a	3.70
Assumed investment returns		
- Pre-retirement	3.50	3.50
- Post retirement	2.25	2.25
Deferred pension increases		
- Pre April 2009	3.50	3.45
- Post April 2009	2.50	2.50
Pension increases		
- Pre April 2006	2.70	3.25
- Post April 2006	2.00	2.15

As there are numbers of contributing employers participating in both the BPS and the BUSPS, the [Employer] 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. *[Employer to review wording and update as necessary for consistency with the relevant accounting standard]* The total pension cost for the [Employer] is shown in the table below, with last year's figures also shown for comparison.

Total pension cost (£)	[2019]	[2018]
BPS	x,xxx	x,xxx
BUSPS	<u>x,xxx</u>	<u>x,xxx</u>
Total	<u>x,xxx</u>	<u>x,xxx</u>

[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.

[plus further detail, for example one of the following]:

- a) The BPS Trustee has the right to quantify and seek payment of this debt at any time at its discretion. The Church is currently in discussion with the BPS Trustee about settling this debt [which amounts to £X]. [Once the Church has settled this debt, it will have no further obligation to the BPS.]
- b) In [year] the Church entered into a "Deferred Debt Arrangement". Under this arrangement the Church is no



longer liable for this debt, but the Church continues to pay the ongoing deficiency contributions as outlined above. There are limited circumstances under the Deferred Debt Arrangement where the Church would become responsible for a debt equal to its share of the current BPS deficit (assessed by reference to the up to date cost of securing benefits by the purchase of annuities).]

[Note: the above should be updated / removed to reflect your own particular circumstances. Churches that have been offered a Double Cessation Debt Arrangement should consider the extent to which this requires disclosure.]

The next actuarial valuation of the DB Plan within the BPS is due as at 31 December 2019.