

Draft pensions note for accounts – for employers participating in BUSPS only (prior to its winding up) [Not applicable for accounting standard FRS102]

This note is only relevant for employers that were participating in the Baptist Union Staff Pension Scheme prior to its winding up. Draft wording for other employers has been provided separately. The Baptist Union Staff Pension Scheme wound up during 2019 and so each employer should consider the extent to which any disclosure is required and the extent to which the following can be shortened.

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.

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 been wound up. BUGB and the Pension Trustee (and their advisers) do not take responsibility for this.

The Association is an employer that was participating in the Baptist Union Staff Pension Scheme (“the Staff Scheme”) prior to its winding up. The Staff Scheme was a separate legal entity administered by a Pension Trustee (Baptist Pension Trust Limited). It completed winding-up on 18 September 2019.

The main benefit provided by the Staff Scheme was 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 has been 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. 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 Aviva.

A formal valuation of the Staff Scheme was performed at 1 January 2017 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Staff Scheme’s assets at the valuation date was £10.3 million.

The valuation of the Staff Scheme revealed a deficit of assets compared with the value of liabilities of £5.9 million (equivalent to a past service funding level of 64%). Deficiency contributions of £759,000 pa (payable from 1 January 2016 and increasing each January in line with RPI inflation) continued to be 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 Staff Scheme benefits in full with an insurer. The total contributions were split between the sponsoring employers in line with their estimated share of the Scheme’s liabilities.

These significant contributions were part of a plan to wind up the Scheme. 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 Baptist Pension Scheme 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 Baptist Pension Scheme 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 Staff Scheme, 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 scheme and the winding up.]

The key financial assumptions underlying the 1 January 2017 valuation of the Staff Scheme were as follows:

Type of assumption	% pa
RPI price inflation assumption	3.45
CPI price inflation assumption	2.70
Pensionable Salary increases (CPI plus 1.0% pa)	3.70
Assumed investment returns	
- Pre-retirement	3.50
- Post retirement	2.25
Deferred pension increases	
- Pre April 2009	3.45
- Post April 2009	2.50
Pension increases	
- Pre April 2006	3.25
- Post April 2006	2.15

As there are 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. *[Employer to review wording and update as necessary for consistency with the relevant accounting standard]* The total pension cost for the Association is [£xx,xxx] ([2018 £yy,yyy]).