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**STRICTLY PRIVATE AND CONFIDENTIAL**  
The Trustee of the Baptist Pension Scheme  
*Sent via email*

14 May 2026

Dear Trustee Directors

## **Baptist Pension Scheme – DC Section (“the Scheme”) Statutory Money Purchase Illustrations as at 5 April 2026**

The Trustee has delegated to Broadstone the responsibility of providing members of the Baptist Pension Scheme with a Statutory Money Purchase Illustration (“SMPI”) each year in respect of their Defined Contribution (“DC”) funds.

The purpose of this letter is to set out the assumptions that the Trustee will need to adopt for the purposes of the SMPIs as at 5 April 2026.

The letter is subject to and complies with the technical actuarial standard TAS 100. It has been subject to an independent peer review in accordance with the requirements of the Actuarial Profession Standard APS X2: Review of Actuarial Work.

### **Background**

The legislation and guidance relating to the production of SMPIs are covered by Section 113 of the Pension Schemes Act 1993 and associated regulations, together with the Actuarial Standard Technical Memorandum - AS TM1: “Statutory Money Purchase Illustrations” (v5.1), as adopted by the Financial Reporting Council on 6 April 1997. I have referred to these collectively as “the SMPI rules”.

A later version of the Actuarial Standard, TM1 v5.2, was published in February 2026, but this applies for illustrations with an effective date of 6 April 2026 or later, so will apply next year. This updated version only contains minor amendments to the calculation of investment fund volatilities, so I would not expect it to impact the calculations significantly.

The legislation (and guidance from the Financial Reporting Council) lays down most of the assumptions that should be used, which I summarise in this letter.

### **Member options at retirement date**

In accordance with the latest rules, SMPIs must be prepared with the assumption that:

- members do not take a tax-free cash lump sum on retirement (i.e. all of their fund is used to provide a pension);
- the pension purchased with their fund will not increase once in payment;

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- the pension purchased will be guaranteed for 5 years; and
- the pension purchased by their fund will not include a provision to pay a dependant's pension on the death of the member.

A dependant's pension can be included in the projection if it must be provided under the Scheme Rules. As this is not a requirement under the Scheme Rules, this is not required for the pension illustration.

This basis is the same as used for the Scheme in 2025 and prior years, so there is no change required for 2026.

For active members, projections will be provided assuming contributions will continue at their current rate. This basis is the same as used for the Scheme in 2025, so there is no change required for 2026.

### Inflation and future earnings increases

The SMPI Rules prescribe that future prices and earnings must be assumed to increase at 2.5% per annum. The Trustee does not therefore need to consider these assumptions further, and they are the same as used in previous years.

### Assumed rate of investment returns (or accumulation rate)

Under the SMPI rules applicable to an illustration date of 5 April 2026 the accumulation rates must be determined according to each investment fund's "volatility group" which is prescribed by the FRC as shown below.

Volatility		Volatility Group	Accumulation Rate
Equal to or above	Less than		
0%	5%	1	2% p.a.
5%	10%	2	4% p.a.
10%	15%	3	6% p.a.
15%	Unlimited	4	7% p.a.

Each fund type will now have its own accumulation rate based on the volatility group; these are shown in the table in **Appendix A**.

The SMPI rules stipulate that the volatility for each fund be calculated from monthly returns of the fund over a five-year period ending on 30 September preceding the financial year in which the calculation is performed. For this purpose, we have interpreted "the financial year in which the calculation is performed" to mean the year ending on the effective date of the statements – 5 April 2026 – meaning the financial year is 2025/26. The volatility calculations have therefore been completed for the period ending 30 September 2024. It should be noted that we have received volatility data from L&G that is specific to the funds used by the Scheme. Two funds have an inception date of December 2021, so the data do not cover the full five-year period. Therefore, as required under the SMPI rules, we have used the volatility data for similar funds to complete the full five-year data set.

### Investment Expenses

The SMPI rules require that an allowance should be made for the actual expenses that will be levied on the members' funds before retirement. Where future charges or expenses are not known and cannot reasonably be obtained or estimated, an assumed rate of 1% per annum can be applied.

The expenses are set out in the table shown in **Appendix A** are the actual 'ongoing charges' or 'Total Expense Ratio – TER' as at 31 March 2026, as notified to Broadstone by L&G. As in previous years, we propose to use the actual charges applicable to each of the funds.

## Annuity rates

The SMPI rules also prescribe that the interest rate underlying annuity rates (which do not increase in payment) must be calculated based on the yield on the FTSE Actuaries Government 15-year Fixed Interest Yield Index rounded to the nearest 0.2%. The yield is determined on 15 February and fixed for the following tax year, so that for an illustration date of 5 April 2026 market yields on 15 February 2025 must be used.

Based on the indices applying on 5 April 2026, this implies **an assumed annuity interest rate of 4.8% per annum**, which compares to 4.4% that was used last year. Please note that the increase in annuity interest rates assumed will lead to higher projected pensions, all other things being equal.

## Mortality rates

The SMPI rules prescribe the mortality assumptions to be used (as set out in **Appendix B**). There is a requirement to update the version of the CMI mortality improvements model (to reflect updates to the model based on additional mortality data collected) and we will allow for this when preparing the figures.

## Other assumptions

All other assumptions are prescribed under the SMPI rules and are set out in **Appendix B**.

## Summary

The Trustee will need to adopt the assumptions as required under AS TM1 (version 5.1) as outlined as above and in the Appendices.

The main difference between last year's statement is the increase in the annuity interest rate, which would increase the projected pension.

Meanwhile, the assumed accumulation rates remain unchanged compared to last year.

While there will be variations between the membership, the changes should not be substantial enough to cause significant concern or warrant any additional communication. But we would be happy to provide some illustrations and test this in more detail if the Trustee is concerned.

If you would like to consider the impact on member projections in more detail and any associated communications, please let me or Richard Sweetman know.

Your sincerely,



**Christopher Rice, FIA**  
Head of Trustee Services

## Appendix A – Volatility groups for each fund

### Lifestyle Funds

Fund name	Volatility group as at 5 April 2026	Expenses	Assumed long-term rate of return p.a. as at 5 April 2026	Assumed long term rate of return used as at 5 April 2025
L&G Ethical Growth Fund	3	0.16%	6%	6%
L&G Ethical Diversified Fund	2	0.15%	4%	4%
L&G At Retirement Fund	2	0.16%	4%	4%
L&G AAA-AA-A Corporate Bond All Stocks Fund	2	0.12%	4%	4%
L&G Over 5 Year Index Linked Gilts Index Fund	4	0.08%	7%	7%
L&G All Stocks Index Linked Gilts Index Fund	3	0.08%	6%	6%
L&G All Stocks Fixed Interest Gilts Index Fund	2	0.08%	4%	4%
L&G Cash Fund	1	0.10%	2%	2%
L&G World Emerging Markets Equity Fund	3	0.45%	6%	6%
L&G Global Equity (30:70) Index (75% Currency Hedged Fund)	3	0.20%	6%	6%
L&G Newton Real Return Fund	2	0.85%	4%	4%
L&G Dynamic Diversified Fund	2	0.45%	4%	4%
L&G Columbia Threadneedle Responsible Global Equity Fund	3	0.75%	6%	6%
L&G Ethical Global Equity Fund	3	0.12%	6%	6%
L&G Low Carbon Transition UK Equity Fund	3	0.06%	6%	6%
L&G Diversified Fund	2	0.25%	4%	4%

## Impact on Lifestyle Funds

### Ethical default lifestyle

Period from retirement	5 April 2026 (after expenses) p.a.		5 April 2025 (after expenses) p.a.	
	Investment return in that year	Average investment return over period to retirement	Investment return in that year	Average investment return over period to retirement
30	5.84%	5.17%	5.84%	5.16%
25	5.84%	5.04%	5.84%	5.03%
20	5.84%	4.84%	5.84%	4.84%
15	5.84%	4.53%	5.84%	4.53%
10	4.85%	4.12%	4.84%	4.12%
5	3.85%	3.85%	3.85%	3.84%
0	3.84%	3.84%	3.84%	3.84%

### Lump sum target lifestyle

All members are over their target retirement age, so no projections will be completed.

## Appendix B – Statutory assumptions for SMPIs as at 5 April 2026 (no change from 5 April 2025)

Assumption	SMPIs at 5 April 2026
<b>Projection of Assets (accumulation rate)</b>	Based on the criteria set out by the FRC, asset returns will be based on which volatility group the fund falls into (see Accumulation Rate Section).
<b>Increases to Pension in Payment</b>	Non increasing in payment (unless there is a legal requirement)
<b>Lump sum on retirement</b>	No lump sum to be allowed
<b>Annuity Discount Rate in financial year 6 April 20YY to 5 April 20YY+1</b>	Yield date 15 February from the prior financial year. Show non increasing annuity based on FTSE Actuaries' Government 15 year Fixed Interest Yield Index, rounded to the nearest multiple of 0.2% (Assumption = 4.8% p.a.)
<b>Inflation</b>	2.5% p.a.
<b>Spouse Pension</b>	No spouse pension (unless there is a legal requirement)
<b>Guarantee period</b>	5 years
<b>Mortality post 6 April 20YY</b>	PCUA16 (YOB) CMI (20YY-2) 1.25% This is CMI(2022) for the 5 April 2025 projections and CMI (2023) for the 5 April 2026 projections
<b>Expenses</b>	4%

The SMPI rules (AS TM1 v5.1) require that the following key assumptions must be made:

- Future inflation and earnings increases are assumed to be 2.5% per annum;
- The accumulation rate must be based from the volatility group that the fund falls into;
- Pensions are payable monthly in advance;
- Regular charges that are deducted from funds remain at the current level;
- No allowance is to be made for mortality before retirement;
- Mortality after retirement must be based on 50% of the PMA16 tables with allowance for future improvements based on CMI\_20YY\_M[1.25%] plus 50% of the PFA16 tables with allowance for future improvements based on CMI\_20YY\_F[1.25%] ;
- Any spouse's pension has been removed from the annuity, unless there is a legal requirement to provide these.

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