

## **The Baptist Pension Scheme (“the Scheme”)**

### **Update on employer contributions and life assurance cover**

To all employers participating in the Scheme’s segregated DC Plan

This email is being sent to you jointly from the Baptist Union and the Trustee of the Scheme to explain two changes from April 2024 affecting segregated DC employers like you and their ministers / employees who are active members of the DC Plan.

- Increased levels of lump-sum life assurance on death in service
- Increased employer contributions (from 9% to 10% of Pensionable Income)

These both arise from the wind up of the Scheme’s Defined Benefit (DB) Plan and are more fully explained below.

### **What is happening to the DB Plan?**

The DB Plan provides pensions for Baptist Ministers related to their pensionable service prior to 2012. These are defined benefit (DB) pension commitments that require participating employers to meet the additional cost of any shortfalls identified in funding. Over recent decades the shortfalls and additional contribution requirements have been significant. This led to a switch to defined contribution (DC) pension provision in 2012 and a desire to fully remove the risk of future DB shortfall contributions through the transfer of all of the DB Plan’s liabilities to an insurer. The final part of this process is taking place during 2024.

As a segregated DC employer, you are not exposed to the DB shortfall risks but now that the DB Plan is being wound up, there are some implications.

The DC Plan is continuing in its current form, subject to the two changes noted in this letter.

### **Changes to life assurance benefits**

The Baptist Union has been through a process of reviewing the benefits provided to ministers who retain benefits in the DB Plan, many of whom are still active ministers today. One of the changes they have introduced affects life assurance lump sums on death while still in service. The Baptist Union has agreed that the improved life assurance terms should also apply to members of the Ministers and Staff sections of the DC Plan who do not have retained DB Plan benefits. This includes your minister / employees. The table below shows the change which is effective from 1 April 2024.

Current lump sum death-in-service benefit	Lump sum death-in-service benefit from April
<p>The greater of:</p> <ul style="list-style-type: none"> <li>• 8 x Pensionable Income at date of death; or</li> <li>• 4 x Pensionable Income at date of death PLUS the value of the member's DC pension pot</li> </ul>	<ul style="list-style-type: none"> <li>• 8 x Pensionable Income at date of death PLUS the value of the member's DC pension pot</li> </ul>

The 8x Pensionable Income lump sum death in service benefit will be subject to the insurer's terms and conditions and its payment of a corresponding claim amount for the member. If they are over 65 on the date of change then it is likely that some of their potential increase in lump sum life cover over the existing levels will be subject to them being actively at work with their Scheme employer. Otherwise they may need to provide evidence of good health in order for the Scheme insurer to consider whether it will allow their cover to increase.

### Increased employer contribution

As a reminder, your 9% employer contribution is allocated as follows:

- 6% goes into your minister's / employee's DC pension savings pot (along with the 8% contribution they pay)
- 3% covers expenses of operating the Scheme plus insurance premiums for Income Protection and life assurance.

From 1 April 2024 the expense and insurance element is increasing to 4% for the following reasons.

1. The cost of improved life assurance, as explained above.
2. The operational costs of the DC Plan having to be met from the DC Plan in isolation. Until now many of the operational costs have been shared with the DB Plan.

This means the total employer contribution will increase to 10% of Pensionable Income. Employers with DB and DC participation already pay 10% so this brings everyone onto the same level. It is important to note that the overall cost of the Scheme will reduce significantly as a result of winding up the DB Plan but those costs that remain have to be met fully by the DC Plan.

### What about the Basic section of the DC Plan?

There are no changes to life assurance levels or employer contributions in the Basic section.

### Income protection benefit for active members of the DC Plan

Although there are no changes to the income protection benefits, it is worth reminding everyone of what this provides and how to ensure potential claims are not compromised. Active members of the Staff and Ministers sections of the DC Plan are enrolled in an income protection insurance policy which is intended to provide income in case of incapacity. Details of the benefit payable and the conditions relating to it are set out in the Income Protection Guide, a copy of which is available on the Baptist Pensions website using this link [Income Protection Insurance - Baptist Pensions](#).

As a reminder of the existing procedures, if a member falls ill it is important to follow the steps set out here: <https://www.baptistpensions.org.uk/churches-employers/what-the-employer-needs-to-do/sickness-illness/> to give the best chance of ensuring that the insurance company will pay the benefit if

the member meets the relevant conditions. **It is very important should a member become ill that you ensure that you follow the relevant procedure.** This will include notifying the Scheme Administrator ([baptistpensions@broadstone.co.uk](mailto:baptistpensions@broadstone.co.uk)) within four weeks.

### Next steps

The administrators of the DC Plan (Broadstone) will automatically adjust your direct debit to allow for the 9% to 10% increase from April. You do not need to take any action.

Members affected by the change in death-in-service lump sum are being contacted directly to explain the change, so again there is no action required on your part. They will also be informed of the increased employer contribution and the reasons for it.

If you have any question related to this letter please contact Steve Kaney, Pensions Manager at [pensionshared@baptist.org.uk](mailto:pensionshared@baptist.org.uk).

Yours sincerely



Chris Maggs  
Moderator of the Scheme's Trustee Board



Christopher Jones  
Baptist Union Support Services Team Leader