BAPTISTS TOGETHER
BAPTIST PENSION SCHEME

PENSIONWATCH

December 2020

BAPTIST PENSION SCHEME – NEWSLETTER FOR CHURCHES AND OTHER EMPLOYERS

Welcome to PENSIONWATCH

Message from the Moderator

Imagine someone had said, this time last year, that during 2020 the Government would introduce legislation to close churches, ban the gathering of groups of more than 6 people and instruct everyone to stay at home. We would not have believed them and the prospect would have sounded quite frightening. Yet we have accepted these measures as part of the need to protect our society, particularly the elderly and vulnerable. In fact, many churches have found new ways to meet and even to reach out online.

It was encouraging to see the results of our April survey of churches in the DB Plan, asking about financial concerns due to the pandemic. The vast majority were confident they could manage and this is due to the faithful support of their membership. Similarly, the Baptist Pension Scheme continues to operate on a 'business as usual' basis as the participating employers continue to make their contribution to ensure pension provision for their ministers and staff is maintained.

A big thank you to our Pensions Team and the administrators at Broadstone who have kept the show on the road while working from home. Also our advisers and the Trustee Board who have had extra virtual meetings to make sure all is as it should be.

As we look forward to the year ahead, we hope to develop the information we provide on the DC Plan in particular. It has been running for nine years now and the combined assets of over £50m represent the savings of over 2000 members. Most of these are in the Ethical Lifestyle Fund and we will review the make-up of the Fund in 2021 to check it remains appropriate.

The Trustee Board continues to work alongside BUGB and their Employers' Group to manage the DB Plan shortfall. BUGB recently paid in an additional £0.5m as the final part of their £33.5m contribution under the Family Solution that followed on from the 31 December 2016 actuarial valuation. We have just completed the 31 December 2019 valuation and the DB Plan is in a far better place but we want to complete the journey and end the need for deficit contributions as soon as we can. More information on the valuation results is contained in the following pages.

This year has taught us that unknown risks can change the world but we endeavour to keep delivering a quality pension scheme for the Baptist Family whatever lies ahead.

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 part of a Baptist church in Solihull.

ABOUT THE SCHEME

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

The DC Plan

- Provides defined contribution benefits for service from 1 January 2012.
- Around one thousand employers participate in the DC Plan. Most of these are churches.
- It is divided into the Ministers' section, the Staff section (for non-ministerial staff of participating employers) and the Basic section (designed to meet automatic enrolment requirements).
- It is administered and invested on the Trustee's behalf by Broadstone and Legal & General, respectively. Broadstone 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. Part of the employer's contribution also goes towards life assurance cover, income protection insurance for Minister's and Staff section members and running expenses. Each individual's Pension Account is invested in the investment fund(s) they have chosen. There is a default Ethical Lifestyle investment strategy for individuals who do not make a choice. Individuals who wish actively to manage their pension savings, can choose a wide range of self-select investment funds where ethical options are again available.

- When members come to retire, the value of their Pension Account is used to provide their benefits.
- There is no additional cost to the employers beyond the monthly contributions.

Where can I go to get more information?

- The BPS Website: www.baptistpensions.org.uk
- 4myscheme: https://www.4myscheme.co.uk/
- Broadstone: 0117 937 8700 baptistpensions@broadstone.co.uk

ABOUT THE SCHEME (cont.)

The closed DB Plan

- Provides defined benefits for ministers on their service up to 31 December 2011.
- There are more than 1,000 participating employers, responsible under UK pensions law for financing the DB Plan. Most of these are churches and most of them are also participating in the DC Plan.
- Each church or other employer that had a member in the Scheme 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. The latest review was as at 31 December 2019 and a summary of the results is shown on page 17.
- Following the December 2019 review, employer contributions continue at the level agreed for the 2013 and 2016 valuations, increasing in line with annual changes to Minimum Pensionable Income.
- A temporary reduction of 50% in contributions was also agreed for all employers for a period of 6 months in 2020, in recognition of potential financial struggles that some churches may be facing as a result of the COVID-19 pandemic.
- At 31 December 2019 it was projected that, if the assumptions made for the actuarial valuation were borne out in practice, deficit contributions at this level would be sufficient to remove the deficit by June 2026. This is two and a half years earlier than predicted at the previous review, which is good news.
- However, the nature of a DB pension scheme is that each review can only estimate the true cost, and different factors can change the picture as time moves on, for better or worse.
- More recent updates on funding and investments are provided later in this newsletter.

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 4myscheme, please do so as soon as possible. 4myscheme 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 23 for more details).
- Use 4myscheme 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 at www.baptistpensions.org.uk and/or 4myscheme as your first port of call, if you have any questions about the Scheme. We have shown the 4myscheme link on the final page."
  (See note on p. 23 below).

  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 Broadstone directly, we would expect that 4myscheme and the Scheme's website should provide you with much of what you need. In fact, many of you already "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.

Submit Requested Information

- Submit a Declaration of Pensionable Income for your Active members when requested annually.

  The 2020 exercise was sent out to all Scheme employers in November advising employers that the Minimum Pensionable Income for 2021 is £30,779 and provided guidance on how to calculate the correct Pensionable Incomes for the year ahead. Declarations were to be submitted using 4mystaff by the 18th of December 2020.

  If no Declaration is provided, Broadstone will automatically uplift the member's Pensionable Income to the Minimum Pensionable Income of £30,779 and Scheme pension contributions will be collected on this basis from 1st January 2021.
- Provide us with your organisation's financial details when requested to do so by completing the Covenant Questionnaire. Your church or organisation, as a Scheme employer, is legally obliged to provide this information to the BPS Trustee. See page 10 for an explanation of why we need this information.

Avoid "bear traps"

- Avoid accidental cessation events.
  These are explained in detail on the next page. If you are a participating employer in the DB Plan and your last active member leaves your employment, then please inform Broadstone immediately. If you wish to avoid a cessation event, you are likely to 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 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 Broadstone immediately (this is a requirement of the Income Protection insurance policy). Failure to do so may nullify a future claim.
- Change of legal structure: if you are considering changing the legal structure of your church or organisation (for example to a CIO) 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. Guidance is available www.baptistpensions.org.uk

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 Broadstone 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 Broadstone around 4 weeks before the collection date.

Your key actions:

- Make use of *4myscheme*
- When you have a query, start by looking on 4myscheme, or the Scheme's website (www.baptistpensions.org.uk)
- Keep Broadstone informed of any changes to your contact details
- Inform Broadstone of any changes to your Scheme's membership as soon as possible

CESSATION EVENTS - UPDATE

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.

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

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.

We continue to provide Automated Monthly Debt Estimates on 4myscheme to assist you in this. These are regular updates on the amount that would be due if you incurred a cessation event.

Dealing with Double Cessation Events

As featured in previous correspondence, a number of the Scheme employers are affected by issues relating to double cessation events, where the Employer Debt Regulations can cause church deficits to be double counted.

Following the revision of the Employer Debt Regulations, which came into force on 6 April 2018, the Employers Group and Trustee have been working on a solution to this issue.

The Family Solution was finalised at the end of 2018 and this included plans for employers with double cessation events to enter into an agreement with the Trustee called a Double Cessation Debt Arrangement (DCDA). If these Employers accept the offer of a DCDA the Debt arising from these relevant "double" cessation event will be deemed to have been paid by the Union to the Scheme in full and final settlement of that Debt.

All employers with double cessation events, around 350 in total, have been contacted separately in relation to this matter and the majority have now entered into DCDAs. If you have been contacted on this matter and have not yet completed and returned the paperwork it is vital that you do, otherwise your organisation will be required to pay the double debt! If you have any concerns on this matter please contact Marshall Rowan to discuss any issues directly.

Deferred Debt Arrangements (DDAs)

The Trustee has also entered into a number of Deferred Debt Arrangements (DDAs) with employers with historical cessation events.

DDAs were introduced as part of the 6 April 2018 revised Employer Debt regulations, where the government recognised that other options were required to provide some flexibility to employers who had triggered cessation events.

The Trustee currently permits employers to consider this option, which will allow an employer who has suffered an employment-cessation event to defer payment of their debt. During the deferral period, the employer will retain all of its responsibilities in relation to the Scheme, including paying monthly deficit contributions.

CESSATION EVENTS - FAQ

How do you 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 4myscheme.

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 Scheme 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.

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 has appointed PWC as its specialist covenant adviser and from time to time, we will 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. The 2020 PWC exercise was started in November and submissions were to be received by the 18th of December

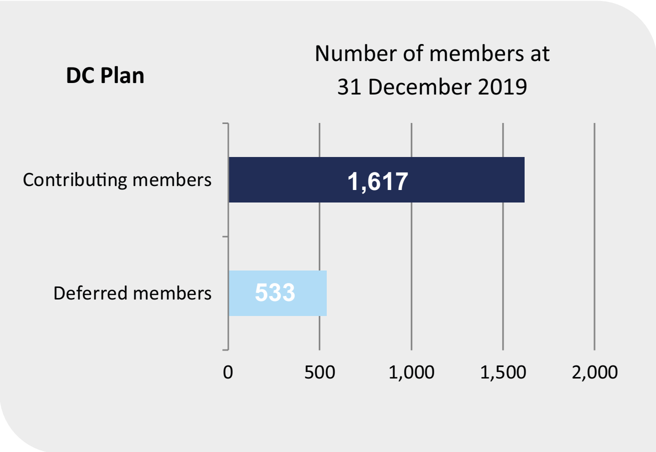
Guidelines for pension notes to accounts

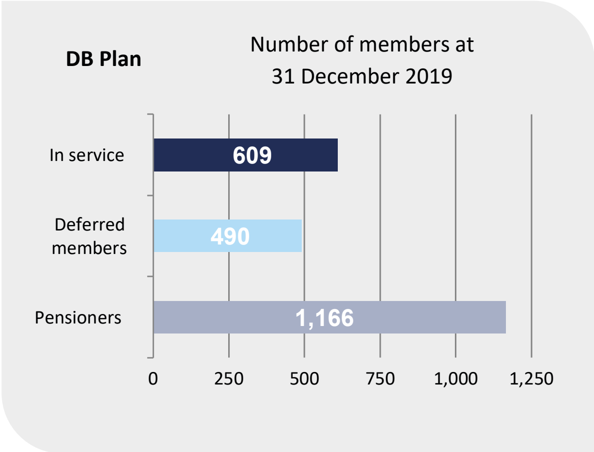
There is various information available on the Baptist Pensions website to help you to complete the pensions notes required in financial accounts.

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.

AT A GLANCE





Note: Members with benefits in both the DB Plan and the DC Plan are included in each category

The following table summarises the figures in the 2019 Scheme accounts

Income and expenditure	DC Plan	DB Plan
Assets at 31.12.2018	£37.7m	£258.2m
Contributions from employers	£3.5m	£6.4m
Contributions from members	£3.3m	-
Transfers and other income	£0.8m	-
Benefits and expenses paid	(£2.3m)	(£11.7m)
Return on investments	£6.6m	£13.2m
Transfer between sections	(£0.5 m)	£0.5m
Assets at 31.12.2019	£49.2m*	£266.6m

SCHEME NEWS

COVID-19 Pandemic

The health and wellbeing of all our members and participating employers in the Baptist Pension Scheme are of paramount importance to the Baptist Pension Trustee and Pension Team; you are in our thoughts and prayers during this difficult time.

We want to assure all our Scheme members and employers that during these unprecedented circumstances we are doing all we can to ensure that the Pension Scheme services you require remain available. There are of course challenges, but we are working closely with our advisors and taking guidance from the Pension Regulator to address them.

There have been a number of changes related to how the Scheme operates during the pandemic, for example the Trustee Directors have not been able to meet in person, and so have had regular virtual meetings with our advisors. The Scheme advisors and administrators have largely been working from home but have been able to provide a "business as usual" service as far as possible.

The Trustee has also worked closely with the Employers' Group to understand the challenges faced by churches and other employers at this unprecedented time. We undertook a survey of DB Plan employers in April are were pleased to note that the majority had sufficient reserves to weather the storm. Nevertheless, as part of the 2019 DB Plan valuation a temporary reduction to employer deficit contributions was agreed in order to relieve the financial pressure during 2020. Further detail is given on page 18 but it is important to note that the temporary reduction finishes in December. From January 2021 the deficit contributions will return to their full rate again.

Sadly, there is evidence in the pensions industry that this uncertain period of time is being used as an opportunity by scammers attempting to lure members to transfer their funds to 'safe havens'. This can apply to any pension scheme member, though it is particularly relevant to those approaching retirement and whose pension may have been affected by the current economic conditions. More information about pension scams can be found on page 22.

RPI

On 25 November 2020 the Chancellor and UK Statistics Authority announced that the calculation of RPI will be adjusted to be equal to the index formula for the "Consumer Prices Index, including owner occupiers' Housing costs", usually known as CPIH, from 2030.

If the RPI formula was adjusted in this way we would expect lower levels of RPI inflation in the future than would otherwise be the case, as CPIH has typically increased at a lower rate than RPI in the past. Most members of the DB Plan with deferred pensions have increases before retirement linked to changes in the RPI, and so any increases before retirement (and after 2030) would be affected. Increases prior to 2030 are not affected. Pension increases after retirement are linked to changes in the Consumer Prices Index (CPI) and so would not be affected.

SCHEME **NEWS** (cont.)

The Scheme is invested in RPI linked assets, so we would also expect to see some reduction in the value of the Scheme's assets. Some allowance for this was made in the actuarial valuation but the exact effect is unknown.

DC Master Trust

From April 2019 new legislation came into force 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 April 2019, 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.

Although this legislation was intended for larger commercial schemes, the new definition of a Master Trust includes multi-employer schemes like the Baptist Pension Scheme and therefore the Trustee was required to apply for authorisation. Over the year to April 2019 the Trustee compiled the large amount of information necessary for registration including an in-depth review of all of the Scheme's administration, governance, advisors and financial sustainability in order to submit an application to the Regulator. The application was accepted towards the end of 2019 and the Baptist Pension Scheme is now an authorised Master Trust. Around 40 other schemes in the UK have also received authorisation.

Although this complicated process has taken a large amount of time and effort, it has resulted in a thorough audit of the Scheme and extra contingency planning to make funds available to the DC Scheme in the event of it having to close. This ensures that member funds would not be reduced by the costs of winding-up the DC Plan.

Baptist Union Staff Scheme (BUSPS) Wind-up

During 2018 the Trustee of the BUSPS purchased a bulk annuity insurance policy from Aviva in respect of all liabilities of the BUSPS. As planned, the bulk annuity policy was then converted into individual policies for each of the members of the BUSPS. Future benefits of the BUSPS members are now paid directly by Aviva, the insurer, and no further liability remains with the scheme. BUSPS members have been contacted individually in relation to this matter.

The completion of this process means that the purpose for which the BUSPS was created no longer exists, and the BUSPS was formally wound up in September 2019.

2019 Actuarial Valuation

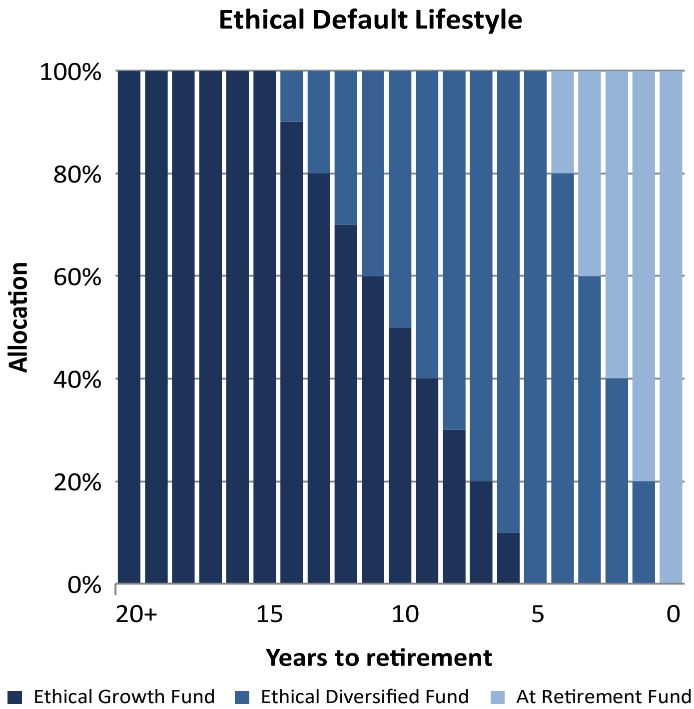
The actuarial valuation as at 31 December 2019 has now been finalised and a new Schedule of Contributions has been agreed. Further detail is provided on page 17

INVESTMENT UPDATE

Investment strategy

There are a range of available funds in the DC Plan. The majority of members are invested in the Plan's default investment fund which is called the Ethical Default Lifestyle Fund. The Trustee reviews the default fund and the options available to members that choose to self-select at least every three years. The next review will be in 2021.

The chart opposite shows how the default fund changes in the run up to retirement.



Recent performance

Fund range	Quarter to 30 June 2020			1 year to 30 June 2020		
	Portfolio return (%)	B'mark return (%)	Relative (%)	Portfolio return (%)	B'mark return (%)	Relative (%)
Baptist Ethical Growth Fund	15.7	12.8	2.9	5.5	7.1	-1.6
Baptist Diversified Fund	10.6	7.6	3.0	7.0	7.8	-0.8
Baptist At Retirement Fund	5.8	1.9	3.9	3.8	5.0	-1.2

The quarter to 30 June 2020 saw markets recover from the significant falls experienced over Q1 2020 as a result of the COVID-19 pandemic. All 3 funds in the default lifestyle significantly outperformed their benchmarks. All members who are invested in the default and are more than five years from their target retirement age have assets invested in the Ethical Growth fund, therefore the strong performance it has delivered this quarter will have benefited the majority of the membership. Both the Ethical Diversified Fund and the At Retirement Fund, which are introduced within the final 15 years of a members' target retirement date, also produced positive relative returns over the quarter to 30 June 2020, with relative returns of approximately 3.0% and 3.9% respectively.

However, over the 1 year period to 30 June 2020 the funds have underperformed their benchmarks due to the overall downturn in markets in Q1 2020. Since 30 June 2020 markets have continued to improve, and the longer term performance of the funds is more positive.

The Ethical Default funds were launched in May 2019 so we do not have longer performance figures yet.

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.

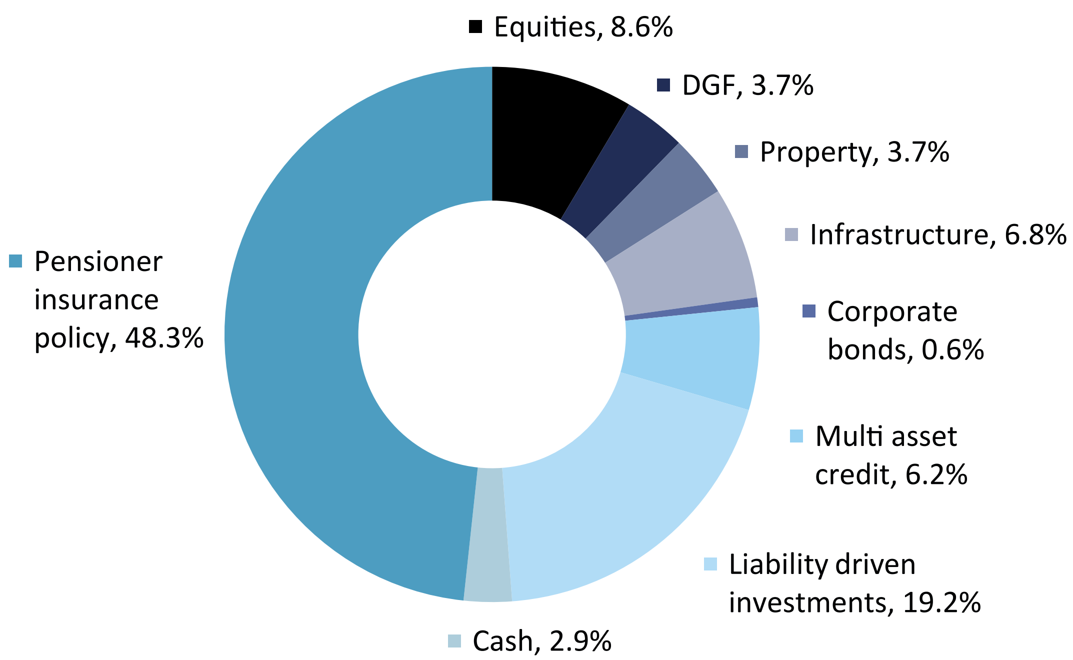
How do we decide how to invest?

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 30 June 2020



INVESTMENT UPDATE (cont.)

Investment strategy

The Trustee has continued to monitor and evolve the Scheme's investment strategy, in light of investment market developments and new opportunities. The most recent significant change was the introduction of the pensioner insurance policy in late 2019, which substantially reduced investment risk. Since then, the Trustee has considered various actions in response to risks and opportunities brought about by COVID-19, ensuring the assets are managed prudently.

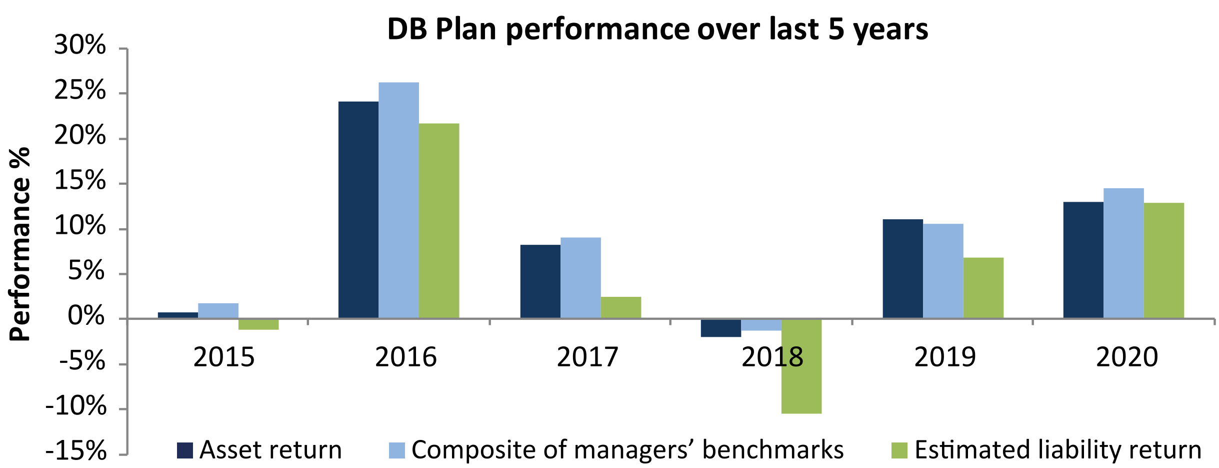
Recent performance

Over the year to 30 June 2020, the overall return on our assets was 14.3% (not including the pensioner insurance policy) and over five years has averaged 10.5% per year.

The chart below compares the returns achieved on the Scheme's assets against a "benchmark", or target level of return for each of the asset classes and an estimate of how the value of the Scheme's liabilities have changed. While investment markets experienced severe volatility in Q1 2020 (as fear about the COVID-19 pandemic spread), the Scheme's assets were actually broadly flat during that period. This is because the Scheme's LDI hedging assets (designed to protect against adverse movements in interest rates and inflation) performed strongly to offset falls in the Scheme's other investment mandates. The Scheme subsequently benefited when markets rebounded in Q2 2020, leading to a return of c13% in the first six months of 2020 (excluding the pensioner insurance policy).

The Trustee also monitors the Scheme's investment managers against their individual benchmarks and targets. While some managers have returned less than their stated target in some periods, the Trustee reviews the reasons for this regularly. Maintaining challenging targets has helped to ensure that the overall asset return has been significantly greater than the increase in value of the liabilities. This is important as it means the asset return is driving further improvements to the Scheme's funding level, alongside the contributions paid by the employers.

The chart below shows the performance of the Scheme over the last five years (2020 Year To Date is to 30 June 2020).



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, and over what period, to meet any shortfall in the DB Plan's finances. The latest full actuarial valuation of the DB Plan was as at 31 December 2019. The results are set out below alongside the 2016 valuation position and more approximate snapshots of the positions in 2017 and 2018.

Item	31 Dec 2016 valuation	31 Dec 2017 snapshot	31 Dec 2018 snapshot	31 Dec 2019 valuation
Value of assets held in the Scheme	£219m	£237m	£260m	£298m
Target level of assets needed to pay benefits	£312m	£314m	£307m	£316m
Shortfall in assets	£93m	£77m	£47m	£18m
Estimated funding level	70%	75%	85%	94%

The steady progress of the shortfall is down to several factors but the main ones are:

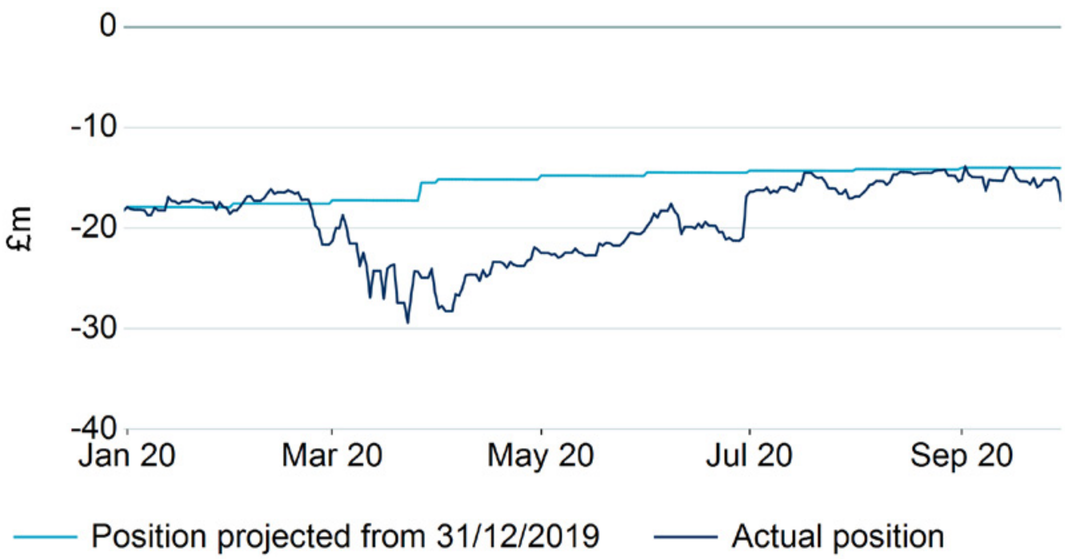
- BUGB's additional contribution of £33m in 2018 as part of the Family Solution;
- the regular and faithful contributions of the churches and other employers year on year;
- favourable investment returns relative to the increasing value of liabilities; and
- the purchase of a competitive insurance policy in 2019 to cover pensions in payment.

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:

- "Actual position": the approximate shortfall each day, allowing for actual movements in investment markets; and
- "Projected position": how the shortfall would gradually have reduced over time if the assumptions made for the 2019 actuarial valuation had been borne out in practice and deficiency contributions were paid in accordance with the agreed Recovery Plan.

FUNDING **UPDATE** (cont.)

The chart below shows the position up until 30 September 2020.



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 could mean that deficiency contributions from the employers would need to increase or be paid for even longer to make up the difference.

Contributions

After considering the 2019 valuation results, the Trustee and BUGB have determined that deficit contributions for churches and other employers will continue at the level agreed for the 2016 valuation, increasing in line with annual changes to Minimum Pensionable Income. These deficit contributions totalled around £4.4m pa at 31 December 2019. BUGB is making a further payment of £0.5m in 2020.

A temporary reduction of 50% in contributions was also agreed for all employers for a period of 6 months in 2020, in recognition of potential financial struggles that some churches may be facing as a result of the COVID-19 pandemic. The full rate of deficit contributions resumes from January 2021.

With some allowance for the uncertainties around markets during the pandemic, it is projected that, if the assumptions made for the 2019 actuarial valuation are borne out in practice, deficit contributions at this level would be sufficient to remove the deficit by June 2026. This is two and a half years earlier than the recovery plan agreed at the 2016 valuation, which is very good news. However, the DB Plan shortfall remains subject to market conditions and mortality experience and this can affect how long contributions will be due for. The Trustee and Employers' Group continue to work together to manage these risks.

EMPLOYERS' GROUP

Message from the Baptist Pension Scheme Employers' Group

At this time of great uncertainty, it is good to remind ourselves of the certainty of our faith and to let our light shine through the cracks in our brokenness.

The Baptist Pension Scheme Employers' Group continues to work on your behalf to represent the employer perspective in the Scheme, with a particular focus on reducing the financial burden of the Defined Benefit Scheme on the Baptist family. It is pleasing to note that our work with the Scheme Trustee has resulted in a number of positive developments in the Scheme over the past year:-

- The 2019 valuation has been completed in record time with the deficit recovery plan shortening by over 2 years.
- The deficit recovery payments have been halved for the second half of 2020 to support the employers in these tough times.
- The final stage of the 'Family Solution' that was agreed in 2018 has been completed with a payment of £500k into the scheme by BUGB.
- The first buy-in was completed at the end of 2019 that significantly reduced the deficit in the Scheme and reduced the ongoing risk.
- As we look forward, we are focussed on further reducing the risk in the Scheme and the costs of operating the Scheme to try and further reduce the deficit recovery period

We look forward to the day when the focus on the Scheme can be reduced and the resources can be focussed on building God's kingdom.

Tim Jackson

Moderator – Employers Group

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

RUNNING THE SCHEME

Meeting Attendance

There were a number of additional meetings over the year, as the Trustee met to discuss the impact of COVID-19 on the Scheme and the finalisation of the triennial valuation. Meeting attendance is shown below.

	18 Sept 2019	12 Dec 2019	5 Mar 2020	2 Apr 2020	7 May 2020	16 June 2020	23 July 2020	10 Sept 2020
Union Appointed Trustee Directors								
Chris Maggs (Moderator)	✓	✓	✓	✓	✓	✓	✓	✓
Neil Davis	✓	✓	✓	✓	✓	✓	✓	✓
Jenny Drake	✓	✓	✓	✓	✓	✓	✓	✓
Tony Pike	✓	✓	✓	✓	✓	✓	✓	✓
Paul Chilcott	✓	✓	✓	✓	✓	✓	✓	✓
Member Nominated Trustee Directors								
Peter Dick	✓	✓	✓	✓	✓	✓	✓	Apologies
Martin Poole	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A
Stuart Glenn	N/A	N/A	✓	✓	✓	✓	✓	✓
Ken Stewart	N/A	N/A	N/A	✓	✓	✓	✓	✓

Martin Poole retired at the end of 2019. Stuart Glenn was appointed 5 March 2020 and Ken Stewart on 9 March 2020.

RUNNING THE SCHEME (cont.)

As we have outlined in previous newsletters, workplace pensions law around auto enrolment has been in place for some time now.

Every employer has 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: 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

RUNNING THE SCHEME (cont.)

Scamproof your savings

Pension scams. Don't get stung.

Pension scams, where people may be tricked into handing over their pension pots by scammers, are on the increase and the pension flexibilities introduced by the government in 2015, while generally very positive for members, have opened up further opportunities for fraudsters. Many of the offers seem very convincing, but, once a member has transferred their money into a scam, it's too late. They could end up losing all their pensions savings and in some cases face a tax bill of up to 55%.

A cold calling ban came into effect in January 2019. The ban makes unsolicited calls to individuals for direct marketing purposes in relation to pensions illegal. If your employees receive an unsolicited call about their pension it is likely to be an attempt to scam them. Please be aware and act accordingly.

There have been lots of reports in the pension press about scams, including the jail sentencing of two people 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 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!

Members can normally only take their pension after their 55th birthday, so please be wary of anyone who says they can help someone cash in their pension early by transferring it to another arrangement. Whilst everything may seem legitimate, they may find themselves subject to a hefty tax charge and the loss of some, or even all, of their savings.

The Pensions Regulator has produced an updated guide to spotting potential pension scams, 'Scamproof your savings' which covers what to do if you suspect a scam and who to contact. You can find it at:

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

You can report any offer you think is fraudulent to Action Fraud on 0300 123 2040.

Money Purchase Annual Allowance (MPAA)

The Money Purchase Annual Allowance (MPAA) is only relevant to people who have made use of the flexibilities introduced by the government in 2015 and are continuing to contribute to a DC pension scheme.

The MPAA was introduced by the Government in 2015 and sits alongside the main annual allowance test on total savings. It applies for individuals who have at any stage drawn money purchase benefits using any route called "flexible payment". After the first time a person has done this, (broadly) if they and or their employer together make pension savings higher than the MPAA on a money purchase basis in any future tax year, the excess incurs an annual allowance charge. If they also build up DB savings, the main annual allowance applies in an adjusted form for that tax year.

The MPAA is currently £4,000 pa.

CONTACT US

IF YOU HAVE ANY QUESTIONS ON THE OPERATION OF THE SCHEME PLEASE CONTACT: BROADSTONE

DB PLAN - PAUL O'LEARY

DC PLAN - JON SANDERSON

0117 937 8700

baptistpensions@broadstone.co.uk

4myscheme – member-access website for members of the DC Plan www.4myscheme.co.uk

TRUSTEE DIRECTORS

Union-appointed

Chris Maggs (Moderator)/CM Pensions Ltd
Paul Chilcott
Jenny Drake
Neil Davis
Tony Pike

Member-nominated

Peter Dick
Stuart Glenn
Ken Stewart

Pensions team

Steve Kaney
Marshall Rowan

TRUSTEE'S ADVISERS

Scheme Actuary

Richard Soldan, Lane Clark & Peacock LLP

Actuarial and investment advisers

Lane Clark & Peacock LLP

Administrators

Broadstone

Auditor

Wilkins Kennedy LLP

Legal advisers

Eversheds-Sutherland LLP

Investment managers

Legal & General Assurance (Pensions Management) Ltd
BMO Global Asset Management
Ruffer LLP
CB Richard Ellis Investors
J.P. Morgan Asset Management
Janus Henderson Investors
Royal London Asset Management Ltd

Annuity insurance provider

JUST