

Pensions update

The proposed changes to pension arrangements for Baptist ministers and staff are to go ahead with effect from 1 January 2012.

This decision was reached by the Union's Trustees at their meeting on 29 & 30 June, exercising the power delegated to them by the Baptist Union Council at its meeting in March. It follows the end of the 60 day period of consultation with pension scheme members, churches and other employers, and careful consideration by the Pension Review Group, the Pension Trustees and the Union's Trustees of the responses received.

These groups are grateful to all those who responded, both formally and informally, during the consultation process. The responses generally supported the proposed changes, although some suggestions were made about possible modifications. After due consideration, only one change to the original proposals was agreed, and this was in respect of the funding of the existing defined benefit commitments, as described below. Nothing emerged from the consultation which made it necessary to refer back to Council before proceeding.

The Trustees of both the Baptist Ministers' Pension Fund and the Baptist Union Staff Pension Scheme have taken appropriate professional advice on the proposed changes and have agreed to accept them.

The new arrangements

Accordingly, the new arrangements will proceed as set out in the consultation announcements issued in March. Copies of these are available on the website at:

www.baptist.org.uk/finance-pensions-and-loans/pension-schemes/pension-consultation

In summary, the new arrangements are as follows:

- from 1 January 2012, pension scheme members will no longer build up defined benefits
- instead, they will build up a defined contribution pension account in the Baptist Pension Scheme (which will be the new name for the Baptist Ministers' Pension Fund from the start of 2012)
- members will also be covered under insured arrangements for benefits on death in service or ill-health
- members will continue to contribute 8% of their Pensionable Income or Salary, which will be credited to their pension account
- churches and other employers will contribute 6% of Pensionable Income or Salary to each member's pension account, plus a further 4% to cover benefits on death in service or ill-health and for administration costs, making a total of 10%
- in addition, churches and other employers will pay contributions towards the shortfalls in the existing defined benefit schemes and these are described below
- an additional section, known as the Basic section, will be added to the Baptist Pension Scheme with effect from 1 January 2013, in order to help churches meet the new statutory 'auto-enrolment' requirements which are expected to apply from 2014 onwards.

Benefits built up by members' service up to 31 December 2011, including the benefits of those who have already left service or retired, are not affected by these changes.

Shortfall contributions

The Union Trustees and the Pension Trustees have reached agreement on the assumptions which determine the results of the actuarial valuations of the Minister's Fund and the Staff Scheme at the end of 2010. The decision to cease building up defined benefits from the end of 2011 has affected some of these assumptions, with the effect of increasing the shortfalls between the assets of the two schemes and their liabilities. The resulting shortfalls (subject to final checks by the actuaries) are £69.7 million in the Ministers' Fund and £3.5 million in the Staff Scheme.

In order to meet the shortfall in the Ministers' Fund, it is necessary to increase the shortfall contributions paid by churches and other employers from the current 5.8% of Pensionable Income to 11%. However, in view of responses to the consultation, it has been agreed to make this increase in two steps, as shown in the table below.

Payable in respect of	Church contributions (% of Pensionable Income)		
	Current	2012	2013
Current service	10.2	10	10
Shortfall	5.8	8.4	11
Total	16	18.4	21

For a minister on Home Mission Stipend (£20,000 per year in 2012) and allowing for a Manse Value of £6,000 per year, a church's contributions will be £695 higher in 2012 and £1,370 higher in 2013 than under the current rates.

Discussions are continuing between the Union's Trustees and the Trustee of the Staff Scheme about arrangements for meeting the shortfall in the Staff Scheme. Employers participating in the Staff Scheme will be notified of the shortfall contribution arrangements once these have been agreed.

These contribution arrangements for members of the Ministers section of the Baptist Pension Scheme are formally subject to approval by the November meeting of Council. In addition, the assumptions used in the actuarial valuations and the resulting arrangements for meeting the shortfalls are subject to scrutiny by the Pensions Regulator.

Progress on the defined contribution scheme

In order to ensure that the new arrangements can come into operation at the start of 2012, the Pension Review Group and Pension Trustees have been making preparations on the basis that any new arrangements agreed after the consultation process would include an element of defined contribution provision.

In particular, they are appointing Legal & General (L&G) to operate the defined contribution scheme. Contributions will continue to be collected by the Pensions Office at Baptist House, but the amounts to be paid into each member's pension account will then be passed on to L&G for investment in the funds chosen by that member. L&G will be responsible for:

- keeping records of each member's pension account
- operation of the funds in which members' accounts will be invested, although use will also be made of funds managed by other organisations, especially for ethical investment
- provision of assistance to members by telephone and internet, including opportunities for members to view their pension account online, to switch funds and to make projections of their future retirement income, in order to assist in their financial planning.

Further communications

There is still a lot of work to be done on the details of the new pension scheme and further communications will be issued in the autumn. These will include information on the range of investment funds to be offered to members and on the practical operation of the scheme.

It is planned to hold a further series of roadshows, covering a wider range of venues than was possible in the spring. These will involve representatives from both the Baptist Pension Scheme and L&G, and will be aimed at helping members understand the new scheme and the decisions they will have to make. Details of dates and venues will be published on the website once they have been arranged, so watch this space!