

## Summary of the Scheme funding position

**At least once every three years, the Pension Trustee must make a full assessment of the financial position of the Scheme to check what needs to be done so that all benefits can be paid when they are due.**

This assessment, which is called an actuarial valuation, helps the Pension Trustee and the BPS Employers Group agree the level of deficit contributions that churches and other employers will pay to meet any shortfall in the Scheme's finances.

The latest actuarial valuation of the Scheme had an effective date of 31 December 2016, and the results showed a deficit in the Scheme of £93m. As well as the full actuarial valuation, the Pension Trustee is also required to obtain annual updates in between valuation years, and the results of these over the last few years can be seen in the table below.

## Progress of the Scheme's funding level

	Valuation at 31 December 2013	Update at 31 December 2014	Update at 31 December 2015	Valuation at 31 December 2016
Value of assets held in the Scheme	£162m	£182m	£180m	£219m
Target level of assets needed to pay benefits	£246m	£293m	£285m	£312m
Deficit	£84m	£111m	£105m	£93m
Estimated funding level	66%	62%	63%	70%

## Changes in 2016

The position improved at 31<sup>st</sup> December 2016 mainly due to:

- higher than anticipated investment returns achieved on the Scheme's assets over the year;
- contributions paid by employers towards reducing the deficit;
- the agreed changes to benefits as described in the letter and FAQs accompanying this summary;
- agreed changes to the assumptions used to calculate the target level of assets needed to pay benefits. The main changes related to assumed future investment returns and how long members are expected to live.

These factors were offset to an extent by a reduction in long term interest rates leading to a higher target level of assets.

## Level of deficit contributions

As part of the Family Solution, BUGB has agreed to make total additional contributions of £33.5m on behalf of the Baptist family in order to reduce the current deficit. At least £30m will be paid in 2018, with the remainder by 2023. Deficit contributions for churches and other employers will continue at the existing level, increasing in line with annual changes to Minimum Pensionable Income. These deficit contributions totalled around £4½m pa at 31 December 2016.

It is projected that, if the assumptions made for the 2016 actuarial valuation are borne out in practice, deficit contributions would be payable until December 2028, at which point the deficit will have been removed.

The deficit, including the level and structure of contributions, will be reviewed as part of the next actuarial valuation as at 31 December 2019.

**Solvency position**

The actuary also estimates how much an insurance company would charge to take over responsibility for the payment of the Scheme's benefits that have been earned to date. This is referred to as a "solvency" assessment and relates to the position if the participating employers were to become insolvent and unable to support the Scheme. We have no reason to believe that this might happen and the Pension Trustee is legally obliged by the Pensions Regulator to monitor the ability of its supporting churches and other employers to meet their obligation to members. The Pension Trustee takes professional advice to help with this.

On the solvency assessment, the actuarial valuation at 31 December 2016 revealed a shortfall of assets of about £162m against the estimated cost of securing all benefits with an insurance company, which equates to a funding level of about 57%.

**Is there anything else I need to know?**

Regulations require the Pension Trustee to confirm that the participating employers have not taken any money out of the Scheme in the last 12 months. We can confirm this is the case and as far as we are aware the participating employers have no intention of doing so in future.

Regulations also require the Pension Trustee to confirm whether the Pensions Regulator has used its powers to modify the Scheme, give it directions, or impose a schedule of contributions upon it. We are happy to confirm that it has not needed to use its powers in this way for the Scheme.