

SUMMARY FUNDING STATEMENT

What is the purpose of this statement?

We are sending you this statement to tell you about the DB Plan's funding. The law requires us to send you a statement each year. This statement has been produced by the Trustee of the Scheme with the aid of our professional advisors and relates to the DB Plan only.

How is the Scheme assessed?

The Scheme's actuary investigates the financial position of the DB Plan by estimating the value of assets that the DB Plan needs to pay the benefits that have been earned by the members of the DB Plan to date, as they fall due, and then compares this against the value of the actual assets of the DB Plan.

To make this estimate, the Trustee and BUGB, on behalf of the participating employers involved with the DB Plan, have to agree on a number of assumptions about what will happen in the future. In particular: how long people will live; what inflation will be; and what returns will be earned on the DB Plan's investments. The assumptions made will affect the value of assets which the actuary estimates is necessary to pay the benefits.

The Trustee must also take account of its assessment of the financial strength of the participating employers when agreeing on these assumptions. This is important because

if the anticipated returns from investments do not materialise, then the Trustee would need to rely on additional contributions from the participating employers, and so it needs to be satisfied that they could provide such contributions in future if required.

The main aim of this exercise is to determine the contributions to be paid into the DB Plan. If the assets held by the DB Plan are less than the calculated target level then deficit contributions are needed to fund the shortfall.

The actuary also estimates how much an insurance company would charge to take over responsibility for the payment of the DB Plan'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 DB Plan (see further below).

This investigation – called an actuarial valuation – takes place in full every three years, with the latest one having an effective date of 31 December 2016. The next valuation will take place as at 31 December 2019, although we also obtain "snapshots" of the position in the years between full valuations. In addition, we are able to track the progress of the DB Plan's financial position on an approximate basis day by day.

Snapshots of the Scheme's funding level

The latest full actuarial valuation of the Scheme was as at 31 December 2016. The results are set out below, alongside more approximate snapshots of the positions in 2017 and 2018.

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

The full actuarial valuation as at 31 December 2019 is now in progress and we will update you with the results in the next newsletter. Initial indications are that the deficit will be lower than we projected at the last valuation.

On the solvency basis, 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%. This level of solvency funding is typical of many UK pension plans, and the shortfall on this basis would affect members only if the churches and other employers were to become insolvent and unable to support the Scheme. We have no reason to believe that this might happen and the Trustee is legally obliged by the Pensions Regulator to monitor closely the ability of its supporting churches and other employers to meet their obligation to members. The Trustee takes professional advice to help with this.

*for this purpose, the agreed change to pension increases as part of the Family Solution was not yet reflected at the valuation date. If it were, the shortfall would be lower.

How has the position changed since the last Statement?

The position improved over 2018 mainly due to the £33m contribution made by BUGB as part of the Family Solution and contributions paid by employers towards reducing the deficit. The improvement is offset slightly by investment returns being lower than expected over the year.

The Trustee realises that the funding position of the DB Plan will fluctuate over time as financial and investment market conditions change. So long as the participating employers pay the necessary contributions, then the existence of a shortfall will not prevent benefits continuing to be paid in full.

How much do the participating employers contribute to the DB Plan?

As part of the Family Solution BUGB agreed to make total additional contributions of £33.5m on behalf of the Baptist family in order to reduce the deficit. Of this, £33m was paid in 2018, with the remainder due by 2023. Further information on this was set out in our letter to you dated 4 May 2018.

Deficit contributions for churches and other employers will continue at the level agreed for the 2013 valuation, 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 at this level would be sufficient to remove the deficit by December 2028.

What would happen if the employers were unable to pay the necessary contributions?

In general, legislation requires employers to meet their pension liabilities. Even if the worst came to the worst and the employers became insolvent with not enough money in the Scheme to pay for all the benefits, the Scheme may enter the Pension Protection Fund, which provides some compensation to pension scheme members in such circumstances.



Where can I get further information?

For further information about your benefits in the DB Plan, contact BBS (details on the back page of this newsletter). If you are considering making any changes to your pension arrangements you should seek your own professional financial advice.

Is there anything else I need to know?

Regulations require us to confirm to you that the participating employers have not taken any money out of the Scheme since your last

summary funding statement. We 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 confirm that it has not needed to use its powers in this way for the Scheme.

CONTACT US

IF YOU HAVE ANY QUESTIONS ON YOUR BENEFITS PLEASE CONTACT: BBS

DB PLAN - PAUL O'LEARY

DC PLAN - JON SANDERSON



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TRUSTEE DIRECTORS

Union-appointed

Chris Maggs (Moderator)/CM Pensions Ltd*

Paul Chilcott

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TRUSTEE'S ADVISERS

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Actuarial and investment advisers

Lane Clark & Peacock LLP

Administrators

BBS / Broadstone

Auditor

Wilkins Kennedy 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

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*In June 2019, there was a technical change when the Moderator, Chris Maggs, stepped down in his capacity as an individual but was simultaneously appointed as Moderator in his capacity as a Director of the professional independent trustee company, CM Pensions Ltd.