

31 August 2023

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Dear [Title Surname]

**The Baptist Pension Scheme (“the Scheme”) – Defined Benefit (“DB”) Plan
Update on securing the DB Plan and removing future risk exposure**

To all employers participating in the Scheme’s DB Plan

This letter is being sent to you jointly from the Baptist Union and the Trustee of the Scheme as a participating employer in the DB Plan. It follows on from our 26 July 2022 email on steps being taken to fully secure the Scheme’s DB Plan benefits with the insurance company Just Group (“Just”). Those steps helped to improve the security of members’ benefits in the Scheme and allowed us to reduce the contributions from employers towards the DB Plan to £1 per month.

What has happened since July 2022?

Broadstone have continued to administer the Scheme, working closely with Just to make sure we have accurate data to pass over to them in due course. We are planning to fully transition the responsibility for DB Plan benefits to Just during 2024. This is known as a buy-out and involves the following steps.

- Just will issue all DB Plan members with an individual contract setting out their entitlements.
- Just will take over administration of the DB entitlements from Broadstone.
- When the buy-out completes, DB entitlements will no longer be part of the Scheme.
- Your commitments as a participating employer in the DB Plan will come to an end.

Making this transition means that the benefits and options of some non-retired members will need to change slightly. The Trustee and the Baptist Union have been working to consider these changes and to look at how any negative impacts can be compensated or mitigated.

Member consultation

Our current expectation is that members who are affected by any of these changes will be contacted by the Baptist Union later this year. That communication will set out the changes and the proposed mitigations. This will be a formal consultation by the Baptist Union on behalf of employers under the Scheme.

There are no changes for members whose pensions are already in payment. When Just take over the arrangements they will continue to receive their pension on the same terms as now.

What about the Defined Contribution (“DC”) Plan?

When the DB Plan transitions to Just, the DC Plan will continue to be run as the Baptist Pension Scheme. If you are currently contributing to the DC Plan then this will continue as before.

DB Plan finances and risk exposure

The objective of the buy-out is to remove permanently the employers' risk exposure to future deficit contributions. However, we are not there yet as risks remain at this stage. In the process of buy-out there are still a number of factors being discussed between the Baptist Union and the Trustee with regard to mitigating benefit changes for members. The terms on which these can then be secured with Just will depend on financial markets at the time. Further, the Trustee continues to dispose of its remaining assets, and the amount it will receive remains uncertain.

There are also substantial costs in the buy-out process as well as ongoing operational costs. These are all being closely monitored as the project develops.

As things currently stand, we are expecting the existing DB Plan funds to be adequate and a relatively small surplus may emerge. Discussions over the use of surplus are ongoing but we cannot rule out the possibility of a shortfall.

Deficit Recovery Contributions (DRCs)

In light of the above uncertainties, the Trustee will continue to collect £1 per month from each employer so that the direct debit facility remains open should there be a significant change in circumstances. If there is a significant detrimental change, employers may be asked to increase their contributions. This requirement will cease when the buy-out completes and we move towards wind-up of the DB Plan.

What about cessation events?

Until buy-out is complete, the Scheme still operates under a legislative regime that has strict rules about cessation events (triggered when an employer stops having any active members participating in the DC Plan). The processes set out on the Scheme website ([Baptist Pensions | Cessation Events](#), [Baptist Pensions | Periods of Grace and Interim Ministers](#)) should still be followed. Employers should continue to contact the Scheme administrator promptly if they expect to experience a cessation event.

Any cessation events that took place prior to 1 July 2022 still have to be processed on the basis of the shortfall position that applied prior to the buy-in transaction being completed. There are a small number of debts which have been notified to employers and these are being addressed with the Pensions Team.

Periods of grace

We have received legal advice which confirms that the Trustee will not be able to offer new period of grace facilities as we approach buy-out. Employers will have other options that will be explained by the Pensions Team when required.

Employers in an existing period of grace will currently be unaffected. However, where that period of grace relates to a cessation event before 1 July 2022 it is still possible that a debt might arise. The Pension Team will be in touch with employers in this situation to discuss their options.

If you are in a period of grace with a cessation event after 30 June 2022, when buy-out completes we anticipate there will be no charge as all employers will leave the DB Plan at that point.

Next steps

When the member consultation takes place we will be in touch with employers as well to keep you in the picture and provide a further update.

Yours sincerely



Chris Maggs

Moderator of the Scheme's Trustee Board



Tim Jackson

Moderator for the Baptist Union's Employers' Group