

<<NAME>>

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<<ISSUE DATE>>

Dear Member

### **Consultation on potential changes to The Baptist Pension Scheme (“the Scheme”) – Defined Benefit (“DB”) Plan**

This letter is being sent to you from the Baptist Union of Great Britain (BUGB) as the Scheme's principal employer, on behalf of your employer. This letter sets out details on the future of the Scheme's DB Plan, as well as a proposal relating to your Scheme benefits.

You are receiving this letter because you are a “Postponed Pensioner” of the DB Plan or may become a Postponed Pensioner before the 31 March 2024 (the proposed date for making any potential changes). A definition of “Postponed Pensioner” is provided below and in the “Your questions answered” section of this letter.

We are excited to share the proposal with you, but in short:

- ✓ **You are a Postponed Pensioner in the DB Plan. This means that you are still employed by a Scheme employer and contribute to the DC Plan until you leave service or retire. Your DB benefits were previously linked to your Minimum Pensionable Income (MPI) whilst you were working for a Scheme employer, but this stopped when you reached age 65. Your DB benefits continue to increase to reflect the fact that you have decided to retire late. This late retirement benefit will be provided by JUST.**
- ✓ **We are proposing some changes to some of your other benefits, such as the benefits payable to your spouse and dependant(s) should you die whilst still in service, and these are explained later in this letter.**
- ✓ **The aim is that your benefits will be transferred to an insurance company and they will take responsibility for paying your pension in future. This is the ultimate goal for many DB pension schemes as it provides members with the greatest level of security for the payment of their benefits. [This is a very positive outcome for you.](#)**
- ✓ **BUGB, on behalf of relevant employers in the Scheme, is proposing some modifications to your benefits. These proposals are purely being made so that your benefits can be insured and are certainly not designed to reduce costs, indeed [some members will see an increase to their benefits.](#)**
- ✓ **[The Scheme's Trustee and the Baptist Union's Employers' Group are supportive of the proposals](#), which will hopefully provide extra reassurance to you noting that one of the Trustee's key duties is to act in the best financial interests of members.**
- ✓ **[You will continue to remain an active member of the Scheme's DC Plan.](#)**
- ✓ **[You are invited to give your views on these proposals.](#)**

As you know, in June 2022, the Trustee of the Scheme reached an agreement with the insurance company JUST Group (“JUST”) to secure all DB Plan members’ benefits, via a “buy-in policy”. Whilst the benefits remain part of the buy-in policy, the Scheme will continue to be administered by the team at Broadstone and the Trustee will continue with its responsibilities, including having ultimate responsibility for the payment of your benefits. However, the longer term goal is to wind up the DB Plan and secure an individual pension arrangement (or “annuity”) with JUST for each member of the DB Plan. Following this, JUST would take responsibility for paying your benefits to you.

When the DB Plan finally winds up, there will be no further assets remaining in the DB Plan (as all obligations to pay benefits and the assets to meet these obligations will have been transferred to JUST) and the DB Plan will cease to exist.

All of your key DB Plan benefits will be secured with JUST, including options such as exchanging pension for tax-free cash at retirement. There are however a few areas where the DB Plan benefits cannot be insured in their current form. BUGB, on behalf of relevant employers in the Scheme, is therefore proposing to provide you with modified benefits, including enhancements in some cases, wherever the current benefits are difficult or impossible to insure.

Further information on this proposal for your benefits and the subsequent wind-up process is explained later in this letter. **The security of your benefits is of utmost importance to BUGB and the Trustee and this will be their priority throughout the process of wind up.** We expect the amendments to benefits to take effect from 31 March 2024 (or such later date as we may tell you). Assuming the process proceeds as currently proposed following the consultation, you will be notified of an exact date in due course. For ease of your understanding, we shall refer to 31 March 2024 throughout this letter.

We wish to consult with you on the proposed changes to your pension benefits and we value your opinion. This document sets out the information that you will need to understand regarding the changes being proposed and to provide feedback on our proposals.

**We will not be making any final decisions until we have had time to consider your views on our proposals.** We will write to you after the end of the consultation process to inform you whether we decide to go ahead with our proposals and, if so, what the next steps would be, including any actions needed from you at that time. We will also confirm the exact date of these proposed changes, which will not be before 31 March 2024.

If you have any further questions at the present time please contact [pensionsqueries@baptist.org.uk](mailto:pensionsqueries@baptist.org.uk)

Yours sincerely



Christopher Jones  
Support Services Team Leader  
Baptist Union of Great Britain

## What do you need to do now?

### Read this pension consultation notice

This notice includes important information about your pension. It is very important that you read this notice, which will help you understand:

1. what the proposed changes to your benefits are;
2. how the consultation process works;
3. what support will be available to you during this process;
4. how to give your feedback; and
5. where you can go for more information.

### 1. What are the proposed changes?

We expect the amendments to benefits to take effect from 31 March 2024 (or such later date as we may tell you). Assuming the process proceeds as currently proposed following the consultation, you will be notified of an exact date in due course. For ease of your understanding, we shall refer to 31 March 2024.

The proposed changes are as follows:

#### 1.1. Benefits payable on death whilst a Postponed Pensioner

The benefits payable on your death whilst a Postponed Pensioner would need to change (as the insurer will not monitor whether you remain in service). The current benefits payable from the Scheme and the proposed changes are as follows<sup>1</sup>:

	Before the changes	After the changes
Benefits on death in service	A spouse's pension equal to 50% of the pension you would have been entitled to if you had retired the day before your death (and not given up any pension for a lump sum or dependant's pension), plus children's pensions  PLUS  A lump sum of 4 x Pensionable Income  PLUS  Your DC fund from the Scheme	A lump sum equal to the transfer value* that would otherwise have been paid had you transferred your DB Plan benefits out immediately prior to your death  PLUS  A lump sum of 8 x Pensionable Income  PLUS  Your DC fund from the Scheme

\* A value transferred to another pension arrangement is known as a transfer value and in essence is a best estimate single value of all the future benefits you would have received from the Scheme. On death, your current transfer value would form part of the benefit payable to your dependants.

These changes would be effective from 31 March 2024.

<sup>1</sup> For members of the Ministers Section of the Scheme. Members of the Basic Section receive lower benefits of a lump sum of 3 x Pensionable Income.

The 8x Pensionable Income lump sum death in service benefit will be subject to the insurer's terms and conditions and its payment of a corresponding claim amount for you. As you will be over 65 on the date of change then it is likely that some of your potential increase in lump sum life cover over the existing levels will be subject to you being actively at work with your Scheme employer. Otherwise you may need to provide evidence of good health in order for the Scheme insurer to consider whether it will allow your cover to increase.

## **1.2. DC benefits in the Scheme**

You are currently also building up benefits in the DC Plan within the Scheme. On retirement, you can use your DC funds as part of a tax-free cash lump sum at retirement before exchanging any of your DB Plan pension for a cash sum. This reduces the need to use DC funds to purchase a pension in the open market (which historically some have found to be expensive) and gives one further option of how you can use your DC fund.

We and the Scheme Trustee are working with JUST to establish an arrangement to maintain this option for you. We shall advise you of progress in arranging this as this consultation progresses.

## **2. How does the consultation work?**

Consultation involves sharing our proposals for your benefits with you, providing relevant information to you and listening to your views, before making any decisions. The consultation must therefore take place before decisions are made.

The consultation period is planned to run from <<START CONSULT>> to <<END CONSULT>>. During that time you will have the opportunity to consider the proposed changes and give your feedback if you wish. The deadline for you to provide your feedback is <<END CONSULT >>.

We will consider your feedback before any final decision is made and share a summary of all feedback with the relevant Scheme employers. We will then inform you of any changes, including next steps and any actions needed by you. It is therefore important that you provide your feedback by the deadline so that we can take it into account when making decisions after the end of the consultation.

## **3. What support will be available to you during this consultation**

You will have the opportunity of attending a live Webinar where we will explain our proposals for your benefits and provide illustrative impacts on example members. We plan on running a Webinar across 3 dates to hopefully enable a high level of attendance for members impacted.

**You only need to attend one of these dates.**

**We will write to you shortly to provide further details on dates, timings and how to attend a Webinar session.**

At the Webinar you attend, you will have the opportunity to ask any specific questions about the proposal and how it would affect you, or share your views in the ways set out below.

We have also included a "Your Questions answered" section in this communication to provide you with responses to some questions we believe you may be asking and we intend to upload this to the

Scheme Website. We will also update this document during the consultation to include questions we have answered for other members during the consultation.

We have also highlighted the ways you can provide feedback or find out further information in the sections below.

#### **4. How do I give feedback?**

Your suggestions and views about our proposals are very important to us. You can provide them by completing the form attached to this notice and returning it by <<END CONSULT>>. The form should be sent to:

[pensionsqueries@baptist.org.uk](mailto:pensionsqueries@baptist.org.uk)

We are keen to hear your feedback so, as well as the attached form, you can provide feedback in the following ways:

**Email:** [pensionsqueries@baptist.org.uk](mailto:pensionsqueries@baptist.org.uk)

**Online :** At the Webinar sessions (more details to follow)

You may also get in touch by post to Baptist House, PO Box 44, 129 Broadway, Didcot, Oxfordshire, OX11 8RT.

#### **5. How do I find out more information?**

If you have any questions about the proposed changes and this notice please contact Chris Jones via one of the methods above.

We will write to you following the end of the consultation period, once we have made our decisions about whether to proceed with the proposals.

#### **6. What is the role of the Pensions Regulator?**

The Pensions Regulator is responsible for ensuring that BUGB and relevant Scheme employers comply with the requirement to provide information to and consult with you about the proposed changes to the DB Plan.

Further information about the role of the Pensions Regulator can be found at [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk).

## **Your questions answered**

### **Technical terms**

These technical terms will be useful in helping you understand the questions and answers that follow.

**Trustee:** The Trustee manages the Scheme on behalf of all its members. It has a duty to safeguard the benefits built up in the Scheme.

**Defined benefit (DB) pension:** A pension where the level of benefit you receive on retirement is set by the rules of a scheme, usually based on salary and service – in your case based on your Pensionable Service to 31 December 2011 and the Final Minimum Pensionable Income when you reached 65. You are often able to exchange some of your pension for a tax-free lump sum on retirement.

**Defined contribution (DC) pension:** A pension where what you get depends on the contributions paid into it, the investment returns they earn and (unless you take it as cash) the cost of buying a pension income at retirement. These can include work-based schemes, individual policies and many additional voluntary contributions (AVC) arrangements.

**Pensionable Income:** Means:

- a) For a member of the Staff Section or the Basic Section, his or her annual basic salary from his or her Employer as last notified by the Employer to the Trustee;
- b) For a member of the Ministers Section, his or her annual rate of income as last notified by his Employer to the Trustee, subject to a minimum of the Minimum Pensionable Income.

**Minimum Pensionable Income (MPI):** means for any calendar year the aggregate of the Home Mission Stipend and the Manse Allowance in force on 1 January in that year.

**Final Minimum Pensionable Income (FMPI):** Minimum Pensionable Income for the 12 month period ending on the last day of the calendar month immediately preceding the month in which you cease to be a member in service, or attain age 65 if earlier.

**Transfer value:** A value transferred to another pension arrangement is known as a transfer value and in essence is a best estimate single value of all the future benefits you would have received from the Scheme. A 'transfer value' is also known as a 'cash-equivalent transfer value' or 'CETV'.

**Postponed Pensioner:** A postponed pensioner is a DB Plan member who is still in service with a relevant employer after age 65 but has not started to receive their pension under the DB Plan or opted out of the Scheme.

## **1. Our proposal**

### **1.1. What is the background to the proposal?**

In agreement with the Trustee, BUGB (on behalf of relevant employers in the Scheme) is seeking to wind-up the DB Plan and secure your DB Plan benefits with an insurer. The date of the wind-up is not yet finalised however we are currently aiming towards starting the process no earlier than 31 March 2024.

It is not possible to insure all of your DB Plan benefits in their current form.

Our proposal is therefore to modify your benefits, wherever the benefits are difficult or impossible to insure, so that your benefits will be more secure with an insurance company.

## **1.2. What does the proposal mean?**

The impact on your benefits is set out on page 3 and 4.

## **1.3. Is the Trustee of the Scheme aware of the proposal?**

Yes. The Trustee and its advisers have been made aware of our proposals before the start of this consultation. The Trustee Board has had the opportunity to comment, and has agreed in principle to the proposed changes, but the proposals being made are ours (BUGB, on behalf of relevant employers in the Scheme).

## **1.4. Do the proposals apply to all members in the Scheme?**

The proposal to change benefits applies to all members who are employed by a Scheme employer contributing to the DC Plan and also have benefits in the DB Plan. There are approximately 400 such members.

The eventual winding up of the DB Plan will affect all members of the DB Plan. The Trustee will provide further information to those members in due course.

## **1.5. Where can I get financial advice?**

Neither we nor the Trustee are regulated to provide financial advice. You can find a list of registered financial advisers on both the Money Advice Service and Financial Conduct Authority websites:

[www.moneyadvice.org.uk/en/articles/choosing-a-financial-adviser](http://www.moneyadvice.org.uk/en/articles/choosing-a-financial-adviser)

<https://www.fca.org.uk/consumers/finding-adviser>

## **1.6. What if I die whilst I remain an active DC member?**

Your death in service benefits would be different if you die after 31 March 2024.

A comparison of your death before retirement benefits before and after the proposed change to your benefits is set out on pages 3 and 4 (assuming you remain an active member of the DC Plan).

We believe that for many members, particularly for members reasonably close to retirement, benefits payable on a member's death in service before retirement are likely to be higher value under the proposal than is currently the case.

The 8x Pensionable Income lump sum death in service benefit will be subject to the insurer's terms and conditions and its payment of a corresponding claim amount for you.

## **1.7. What if I retire prior to 31 March 2024?**

You will be unaffected by the proposed changes and your retirement pension will be calculated on current terms.

## **1.8. Would my take home pay change?**

No, your salary would not be affected by the proposals.

### **1.9. Will I get any further information?**

Yes. You will have the opportunity to attend a Webinar where we will explain the proposals and give you a chance to ask questions. Details to follow.

### **1.10. Data protection**

As part of this process, the Trustee is required to share information about the members of the Scheme with JUST. A copy of JUST's current privacy policy which sets out how they may gather, use and share this information as well as providing information on the rights you have on how this information is processed can be found at the following link:

<https://www.wearejust.co.uk/privacy-policy/>

## **2. The wind-up of the DB Plan and securing of benefits with an insurer**

We have set out below answers to some initial questions you may have about the wind-up of the DB Plan and how your benefits will be secured with an insurer. The Trustee will write to you with further information about this process in due course.

### **2.1. What is the process?**

The Trustee and BUGB will make the decision to commence wind-up of the DB Plan. You will be notified when wind-up has been triggered.

The Trustee would then move forward to wind-up with your benefits being secured under a policy with JUST. When this takes place the Trustee will no longer have the ultimate legal responsibility for providing payments from the DB Plan. That would be the responsibility of JUST under individual insurance policies with each member (that is, JUST would pay your pension directly to you). Once the DB Plan has no remaining assets or pension obligations the wind-up of the DB Plan can be completed and the DB Plan will cease to exist.

### **2.2. Will there be any additional protection for my benefits?**

The insurance regulatory framework is set up with strict financial strength requirements and oversight from the Financial Conduct Authority to provide a secure environment for providing pension benefits over the long term.

In addition to the financial strength of the insurer, benefits secured with an insurance company are covered by the Financial Services Compensation Scheme (FSCS). The FSCS is designed to provide compensation of 100% of the value of the benefits within a given insurance policy to the policyholder in the unlikely event of the insurance company being unable to pay them.

Overall, BUGB and the Trustee believes that insuring the DB Plan benefits in this way is in the best interests of members because it protects the security of benefits and removes the members' long-term reliance on the employers.

**2.3. Will I still be able to take a tax-free cash sum (pension commencement lump sum) on retirement?**

Yes. After the DB Plan is wound up and your benefits have been passed across to an insurer, you will still be able to exchange part of your pension for a tax-free cash sum. Details will be given as part of your pension choices at retirement.

As before the proposed change, our intention (and that of the Scheme Trustee) is that you will be able to use DC funds as part of a tax-free cash lump sum at retirement before exchanging any of the DB Plan pension for a cash sum. This remains in discussion with JUST at this stage. We will keep you informed of progress as this consultation progresses.

**2.4. Will it still be possible to take late retirement?**

Yes. If you draw your pension late, it will be increased to reflect the shorter period of payment. This is also unchanged.

**2.5. What happens if I die?**

Should you die, either before or after you begin to draw your pension, the death benefits due to your estate, your spouse, your civil partner or your dependants will be paid in line with the Scheme Rules, as modified following our proposals in this document.

**2.6. How can I keep track of my Scheme benefits in future?**

If the proposals go ahead, you would no longer receive regular annual updates of your DB Plan benefits from the Scheme, but you can ask JUST to send you a retirement projection to help with any future retirement planning.

## Feedback form

This form relates to the changes proposed to the Baptist Pension Scheme, which were set out in the notice issued to members on <<ISSUE DATE>>.

In order for your feedback to be considered please return this form no later than <<END CONSULT>> so that we can take it into account when making a final decision on the proposed changes to your benefits.

The form can be returned either by email to [pensionsqueries@baptist.org.uk](mailto:pensionsqueries@baptist.org.uk) or by post to Baptist House, PO Box 44, 129 Broadway, Didcot, Oxfordshire, OX11 8RT

Member to complete:

Name:
Feedback: