Webinar: Questions and answers

This document contains a summary of questions asked during the Webinar sessions. If you have any further questions then the "Your Questions Answered" section of the initial consultation letter received in November 2023 may provide you with the answer, but if not then please email us on: pensionsqueries@baptist.org.uk

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.

Webinar questions

General questions

Are copies of the webinar slides available?

Yes, a copy of the slides has been added to the pension scheme website here (you will need to scroll down to the relevant section): https://www.baptist.org.uk/Groups/220715/Pensions.aspx

What do you mean by "codified"?

When we talk about the Scheme's DB benefits needing to be "codified" in order for the buy-in policy to be converted to a buyout, this means that the benefits need to be clearly specified. There should no longer be discretionary elements to benefits, or the potential for multiple interpretations of what benefits are payable in different circumstances.

What will Broadstone's role be?

Broadstone will continue to administer the Scheme's benefits up until the buy-in policy is converted to a buyout. Once the DB benefits are bought out with JUST, JUST will administer the benefits and Broadstone will no longer be involved.

If the proposals go ahead, will we receive bespoke statements and projections so that we can understand the impact at an individual level? Or is a tool available to allow me to model the expected impact on my own pension?

There are no tools available to model the impact at an individual level, although we hope that the generic examples provided within the Webinar slides will help inform what the proposed changes mean for you. Just to note, you will have received a 2023 benefit statement which sets out pension and other benefits (before the proposed changes), so by comparing that with the changes set out in the consultation materials should provide you with a good understanding of what your benefits will be should the changes go ahead. As noted, there may be an uplift to your pension should projections indicate that the changes are not favourable for you (albeit in most instances we anticipate the uplift will be small).

Our understanding is that if the DB Plan is transferred to JUST, then JUST will issue you with a statement that sets out your revised benefits.

When do we expect confirmation on whether the link between DB and DC benefits to allow tax free cash to be taken from DC benefits without reducing DB pension will be maintained?

We understand that an agreement in principle has been made to facilitate this link being maintained, but the legal formalities are still being agreed. It is not certain whether this will be fully agreed before the end of the consultation process, but you will be written to at the end of the process and an update will be given then.

Does a buyout affect the way that my pension increases in payment?

The proposed buyout will not affect how your pension increases once it is in payment.

Why does the cap on the pre-retirement increases reduce from 5% pa to 2.5% pa for benefits accrued from 6 April 2009?

The minimum level of inflation protection specified in legislation for DB pensions before retirement reduced from inflation with a cumulative cap of 5% pa to inflation with a cumulative cap of 2.5% pa with effect from 6 April 2009. Many UK pension schemes therefore have a reduction in the cap at this date.

This is in line with the pre-retirement increases for Plan members who are no longer employed but have not yet taken their pension.

Is there a risk that my DB pension will run out if I live for longer than expected?

Your DB pension is promised for your lifetime. If you live for longer than expected, the employers (or JUST following the proposed buyout) are required to continue to fund your benefits until your death.

This differs to your DC benefits which are limited to what can be bought with the funds that you have accumulated through your contributions, contributions from your employer and investment returns. These funds can be used in multiple ways, including to purchase an annuity with an insurer, which provides a guaranteed lifelong pension similar to that provided in the DB scheme. You should consider taking financial advice when planning for your retirement. Free pensions guidance is available from Money

How does my DB pension interact with the Retired Baptist Ministers Housing Organisation (RBMHO) benefit?

The DB pension payable from the Scheme is not linked to RBMHOeligibility. Eligibility to RBMHO housing may be found here… [Eligibility Criteria - Retired Baptist Ministers Housing Organisation (rbmho.org)](). We understand that RBMHO's use of the phrase 'normal retirement age' means state pension age; although there are a range of considerations within RBMHO eligibility criteria. We would like to acknowledge the use of this phrase for different and unrelated reasons has been confusing. It has happened by chance, with the phrase being a standard technical term within pension schemes; and used in an entirely different context by RBMHO. RBMHO have kindly undertaken to amend their wording to avoid future confusion. The DB scheme Normal Retirement Age is specified in the Scheme Rules to be age 65 and is not directly related to State Pension Age.

What age to take your DB pension from the Scheme is an individual decision, which can be independent of when you choose to stop working. For example, you could choose to start to receive your DB pension from the Scheme from age 65 and continue to work for your employer until your State Pension Age. More information on your retirement options is provided in the section below.

Questions on retirement options

What happens if I want to retire after age 65?

If you remain employed past your Normal Retirement Age of age 65, you have the option to start to receive your pension, or to defer receipt of your pension until you choose to retire (or your 75th birthday if this is earlier).

If you defer retirement, your pension will increase from your Normal Retirement Date until the date that you actually retire at a rate determined by an actuary to reflect that it will be paid for less time.

What happens if I want to retire before age 65?

Minimum Pension Age is age 55, so you can retire from age 55 onwards. If you retire before age 65, then your pension will be reduced at a rate set by an actuary to reflect that it will be paid for longer than if you had taken the benefit from the Scheme's Normal Retirement Age of age 65.

How can I get retirement quotes at different proposed retirement dates?

If you have any questions about the proposed changes to your benefits to facilitate a buyout with JUST, please send them to pensionsqueries@baptist.org.uk

If you have general questions about your retirement benefits or would like quotes for retirement, you should contact the Scheme Administrators, Broadstone.

T: 0117 937 8700

E: baptistpensions@broadstone.co.uk

Will the Normal Retirement Age stay at 65 or is it likely to go up as the State Pension Age rises?

The Normal Retirement Age in the Scheme is specified by the Scheme Rules and will remain at age 65. This is not directly related to the State Pension Age.

Members can choose to retire from the Scheme before or after Normal Retirement Age to suit their circumstances, and their pension will be increased or reduced accordingly to reflect that benefits will be paid for less time (late retirement) or for longer (early retirement) than if they had received the benefit from Normal Retirement Age.

Scheme pension is not directly related to State pension, and can be drawn before or after your State pension comes into payment.

When the State Pension Age is 67 for all future retirees, the minimum age that a person can access their pension benefits is expected to rise from age 55 to age 57.

Can I retire after age 65? Is there any financial advantage to deferring retirement?

If you choose to defer your retirement past age 65, your DB pension will be uplifted to reflect that you will receive the benefit for less time. The uplift to the pension is designed to be broadly such that the expected value to you of receiving your pension from age 65 is equal to the expected value to you of receiving the higher benefit from an older age.

As such, there is not expected to be any financial advantage (or disadvantage) to deferring retirement.

What is the impact on my benefits if I leave service before age 65?

If the proposed changes are implemented, if you leave service after 31 March 2024 but before you reach age 65, there will be no impact on your benefits from the DB scheme.

You would however no longer be eligible for a lump sum of 8 x Pensionable Income should you die after leaving service as this benefit is only available to members who remain in service.

Am I able to take my DB pension at age 65, but continue in employment until State Pension Age?

Once you reach age 55, you can chose whether (or not) to receive your DB pension, whilst remaining in service and continuing to build up benefits in the DC Plan.

You are not required to stop working at age 65 and you can continue to work whilst drawing your DB pension from the Scheme.

Salary / Final minimum Pensionable income questions:

My salary is expected to rise shortly after 31 March 2024 due to a relocation. In light of the proposed changes, would it be advantageous for me to move before 31 March 2024?

Your DB pension is calculated based on Final Minimum Pensionable Income, which is calculated as your Minimum Pensionable Income over the 12 months ending at the end of the calendar month immediately preceding the month when you leave service or retire.

As Minimum Pensionable Income is calculated as the aggregate of the Home Mission Stipend and the Manse Allowance in force on 1 January in that year, it is independent of your salary. As such, a change in salary will not affect your DB benefits.

Changes in salary will affect your DC contributions (not affected by the proposals) and life cover (increased by the proposals).

Will my DB pension be based on Minimum Pensionable Income at 31 December 2011?

No, under the proposals, your DB pension will be based on your Minimum Pensionable Income at 31 March 2024. Your benefit will then revalue between 31 March 2024 to your date of retirement in line with the Retail Prices Index, capped cumulatively at 5% pa for benefit accrued before 6 April 2009 and 2.5% pa for benefits accrued between 6 April 2009 and 31 December 2011.

For those members where the proposed benefit is projected to be lower than retaining the link to the Minimum Pensionable Income up until retirement, a one-off increase is proposed to be applied so that the member is projected to be in the same position as expected if the Minimum Pensionable Income linkage is maintained to retirement.

My stipend increases in June each year. Will the proposed break in the Minimum Pensionable Income linkage at 31 March 2024 put me at a financial disadvantage?

The Minimum Pensionable Income for any calendar year is the aggregate of the Home Mission Stipend and the Manse Allowance in force on 1 January in that year. To capture the June 2024 increase to the Stipend, the Minimum Pensionable Income link would therefore need to break after 1 January 2025.

No members' pensions are expected to be at a financial disadvantage following the proposed changes to the DB pension as a one-off uplift will be applied for those members where the Minimum Pensionable Income linkage is projected to result in a higher pension at retirement than proposed replacement RPI linkage.

If inflation remains high, will the cap on the link to RPI mean that I will be financially disadvantaged by losing the link to Minimum Pensionable Income?

When assessing whether you will be due an uplift to your pension under the proposals, the latest projections for inflation will be reflected. This will therefore capture recent inflation experience, as well as the most up to date projections for future inflation. You are therefore not expected to be financially disadvantaged by removing the link between pensions and Minimum Pensionable Income.

RPI inflation for November 2023 was 5.3% and the Bank of England forecasts inflation will return to normal levels by the end of 2024.

Are the longest serving ministers expected to be worse off following the proposed changes to their DB pension?

No. No members are expected to have a lower retirement pension following the proposed changes than would have been expected before the proposed changes are implemented.

Where a member is projected to receive a lower retirement pension following the removal of the MPI linkage, it is proposed that they will receive a one-off uplift to their pension so that their expected retirement pension is no lower than would have been expected if the MPI linkage remained in place.

The longest serving members would be expected to have a higher proportion of their benefits earned before 5 April 2009, and so the cumulative pre-retirement increase caps are less likely to bite. As the proposed changes link pension increases before retirement to RPI inflation, which has historically and continues to be higher than CPI inflation (which is broadly how the MPI increases), longer serving members are less likely to need a one-off increase to their benefit as breaking the link to MPI is expected to result in a higher retirement pension than would be the case if the MPI linkage remained in place.

Is the Minimum Pensionable Income different for each individual?

The Minimum Pensionable Income for any calendar year is the aggregate of the Home Mission Stipend and the Manse Allowance in force on 1 January in that year. This does not vary by member.

Questions on JUST / insurance transactions

What is a buy-in?

A buy-in is a type of insurance policy that a pension scheme can buy from an insurance company to cover the pension benefits that have been promised. The pension scheme pays a premium to the insurance company, and the insurance company then agrees to pay the pension benefits for those members covered by the policy.

A buy-in policy does not change the amount or the way that you receive your pension benefits and can provide more security for your pension benefits as they are backed by an insurance company which has to hold enough assets to meet costs, even in extreme scenarios.

What are JUST's credentials and what would happen if JUST got into financial difficulty?

JUST is a specialist UK financial services group and is a leading and established provider of retirement income products and services to individual and corporate clients. The group is publicly quoted and listed on the FTSE 250.

All UK insurers (including JUST) are subject to intense regulatory scrutiny and are required to maintain regulatory capital to support any risks being taken. This provides a high level of benefit security and reduces the risk that an insurer gets into financial difficulty.

In the unlikely event that an insurer does get into financial difficulty, your benefits will be covered by the Financial Services Compensation Scheme (FSCS). This provides 100% coverage of the benefits insured, without any upper limit.

Why would an insurance company agree to take on the pension liabilities?

Insurance companies, like other companies, intend to make a profit from the business that they write. When setting the premium that a scheme pays to an insurance company to enter a buy-in or buyout contract, the insurance company estimates the expected cost of providing the promised benefits and then loads in further margins for prudence and for profit.

If actual experience (investment returns, member longevity, etc) is within the bounds reflected in the insurer's pricing, then the insurer will make a profit on the policy.

Death benefit questions

What protection would be available from the DB scheme to my spouse following my death under the proposals?

Further details of the proposed changes to death in service benefits can be found in the initial consultation letter you received in November 2023.

The proposals to facilitate buyout do not affect the benefits payable should you die after retirement.

Is the proposed increase of the death in service lump sum of 4 times Pensionable Income to 8 times Pensionable Income dependant on your length of service?

No, the proposed change to the death in service lump sum is independent of length of service.

Would the proposed increase to the death in service lump sum from 4 times Pensionable Income to 8 times Pensionable Income increase the contributions paid by the church?

The death in service lump sum benefits are secured though an insurance policy. The proposed increase in cover offered would result in an increase in the insurance premiums paid.

How do I know whether the proposed changes to death in service benefits will be better or worse for my spouse?

This is a tricky question which will be very specific to each individual. You would need to compare the value of a 50% spouse pension for your spouse's lifetime with a lump sum equal to your whole *benefit. Also allowing for the change in the death in service lump sum from 4 times to 8 times pensionable salary.*

The relative positions will vary from member to member, the timing of death and will also depend on how long your spouse outlives you in practice. There is not a definitive answer here, but the increase to the death in service lump sum is intended to provide additional cover given the uncertainties.

How are DB pension benefits and death in service benefits impacted by working part-time?

The consultation sets out the proposed changes to benefits (which apply to both full time and part time members). If you have a specific question relating to how part time benefits are calculated then you may wish to contact the Scheme's administrator, Broadstone, who will be able to provide you with further information.

T: 0117 937 8700

E: baptistpensions@broadstone.co.uk

Your latest 2023 benefit statement will also provide additional information as to how part time benefits are calculated (and it is intended that the same approach will then apply to the proposed changes).

Generally speaking, DB pension benefits are typically calculated on full time equivalent income and part time service is then reflected by only accruing a proportion of each year when a member is part time (e.g. 50% of a year if a member worked 50% of full time hours).

Death benefits are typically based on the part time income being received at the date of death, but again your 2023 benefit statement will provide further information on your specific benefits (before the proposed changes) which will indicate how part time benefits are calculated.

Supplementary benefit and incapacity benefit questions

How will the proposals affect my supplementary benefits?

Some members have Supplementary lump sum benefits and/or Supplementary pension benefits (which are predominately based on contributions paid before and after 6 April 2006 respectively on Pensionable Income in excess of the Minimum Pensionable Income). Such benefits are subject to discretionary bonuses before retirement (where discretion sits with the Trustee). Supplementary pensions have not received any bonuses in over 20 years, whereas Supplementary lump sums have received some bonuses.

Given no bonuses have applied to Supplementary pensions historically and therefore unlikely to apply in the future, BUGB are not proposing to alter such benefits as part of the buy-out with JUST.

However, given some bonuses may have applied to the Supplementary lump sum benefits if the Scheme didn't buy-out, BUGB are proposing that this benefit will now instead receive annual increases in line with RPI inflation (subject to similar limits to those that are proposed to apply to pension increase prior to retirement) before retirement going forwards.

Is it possible to transfer my supplementary benefits out of the Scheme whilst leaving the rest of my pension in the Scheme?

Unfortunately we are unable to advise on this as the query relates to specific benefit options for the DB Plan rather than the proposed changes to benefits which is what this consultation covers. If this is something that you would like to explore we would suggest getting in touch with the Scheme's administrator, Broadstone, who will be able to advise accordingly:

T: 0117 937 8700

E: baptistpensions@broadstone.co.uk

What happens if I become incapacitated after age 65?

If you become incapacitated after age 65, you will be eligible to take your full DB pension from the Scheme.