

<<NAME>>

<<ADDRESS1>>

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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.

You are receiving this letter because you are a contributing member of the Defined Contribution (“DC”) Plan who also has benefits in the DB Plan that retain a link to Minimum Pensionable Income (a definition is provided in the “Your questions answered” section of this letter).

This letter sets out details on the future of the Scheme’s DB Plan, as well as a proposal relating to your Scheme benefits. We are excited to share the proposal with you, but in short:

- ✓ **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 taking a transfer value or 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.

The proposal to modify your benefits

The main changes to your benefits that BUGB, on behalf of relevant employers in the Scheme, is proposing are as follows:

- ✓ As a DB Plan member still employed by a Scheme employer and contributing to the DC Plan, your pension in the DB Plan is linked to the Final Minimum Pensionable Income when you leave service or retire. A benefit linked to Minimum Pensionable Income (MPI) cannot be insured, but an inflation linked benefit can. We propose to insure your benefits accrued to 31 March 2024 on a basis that such benefits will increase in line with inflation (within certain limits) going forwards.

We propose applying a one-off increase to the pension that is insured for you if projections suggest you would have been better off retaining the MPI-linked benefits rather than the inflation-linked benefits. More details are provided later in this letter.
- ✓ We also propose 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.

We are required by law 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

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?

The proposed changes are as follows:

1.1. One-off increase to Scheme pension for some members

Under the proposal your pension in the DB Plan would no longer be linked to the "Final Minimum Pensionable Income" (a definition is provided in the "Your questions answered" section of this letter) when you leave service or retire, instead it would be calculated based on the Final Minimum Pensionable Income on 31 March 2024 (or such later date as we may tell you). The date of the DB Plan wind-up is not yet finalised, however we are currently aiming towards starting the process on or after 31 March 2024. For ease of your understanding, we shall refer to 31 March 2024 below.

From 31 March 2024, your DB Plan pension would cease to be linked to increases in MPI, where pension is broadly expected to increase in line with the Consumer Prices Index (CPI). Your pension would instead increase broadly in line with the Retail Prices Index (RPI) until your retirement (subject to certain limits as described in the "Technical terms" section of this letter). For your information, historically CPI has been broadly 1% pa below uncapped RPI.

For some members the pension increased in line with the capped RPI is estimated to be greater than the pension based on the Final Minimum Pensionable Income, and so the proposal may be beneficial to these members. For others the reverse is the case, and these members will be given a special one-off increase to their DB Plan pension with effect from 31 March 2024 as compensation for this potential loss. This increase will be applied on top of the inflationary increase that will apply during the period up to retirement.

This level of one-off increase will be determined by considering a number of factors, including the estimated level of RPI and CPI in the future, and the limits on increases to your pension in the period before you retire.

Once in payment, the increased pension would be subject to the same terms and conditions as currently applies to your DB Plan benefits.

We will provide example scenarios during the Webinars (see below) to help you understand how this change could impact you.

Please note that if you leave employment, opt out of the Scheme, transfer out of the Scheme, or retire before 31 March 2024, you will not receive the one-off increase to your DB Plan pension.

1.2. Benefits payable on death whilst still in service

The benefits payable on your death whilst still in service would also 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 follows¹:

	Before the changes	After the changes
Benefits on death in service	A spouse's pension equal to 50% of your pension calculated using Final Minimum Pensionable Income at death and Pensionable Service to age 65, plus children's pensions	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	PLUS
	A lump sum of 4 x Pensionable Income	A lump sum of 8 x Pensionable Income
	PLUS	PLUS
	Your DC fund from the Scheme	Your DC fund from the Scheme

* Instead of receiving pension benefits from the Scheme a member may elect to transfer their benefits. 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.

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. If you are 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.

1.3. 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.

¹ 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.

1.4. Benefits payable on incapacity whilst still in service

If you remain an active DC Plan member² and you become incapacitated for 26 weeks or longer then you will continue to be eligible for potential benefit via the employers' income protection insurance arrangement. This will remain unchanged as a result of the eventual DB Plan wind-up and will continue at the current level for the foreseeable future. The eligibility for cover, level of cover and payment of benefit will continue to be subject to the income protection insurer's terms and conditions and its corresponding payments in respect of your incapacity.

You are also currently potentially eligible to receive an enhanced pension on early retirement from the DB Plan if you meet the relevant criteria to retire rather than receiving benefits from the income protection policy. Enhanced pension on early retirement on ill health grounds cannot be insured with JUST. We do not propose a replacement for this enhanced pension on early retirement given the availability of the income protection insurance arrangement. The Scheme Trustee has asked BUGB to consider compensation for any cases where a member who would potentially have been eligible for ill-health early retirement from the DB Plan becomes unable to access Income Protection cover due the actions of their employer. BUGB is still considering its position on this.

1.5. Supplementary Benefits

Some members have Supplementary Benefit lump sums and/or Supplementary Benefit pensions (which are predominately based on contributions paid after and before 6 April 2006 respectively on Pensionable Income in excess of the Minimum Pensionable Income). Such benefits are subject to discretionary bonuses (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 JUST is unable to provide them in the future, BUGB are not proposing to alter such benefits as part of the wind up of the DB Plan.

However, given some bonuses may have applied to the Supplementary Benefit lump sums if the DB Plan did not secure your benefits with JUST, BUGB is proposing that this benefit will now instead receive annual increases in line with RPI inflation (subject to certain limits) going forwards. The Scheme Trustee has agreed to this approach.

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

² By this we mean a member of the Ministers Section. The cover applies for members below State Pension Age. Members of the Basic Section do not have income protection cover.

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

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

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.

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 at retirement or leaving service. 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. If the proposals set out in this letter go ahead then you will cease to retain the link between your DB Plan benefits and the FMPI.

Transfer value: If you decide to transfer your benefits out of the Scheme, the Trustee will convert your benefits into a cash sum based on the value of your benefits. This is called a 'transfer value' (also known as a 'cash-equivalent transfer value' or 'CETV').

RPI increases (subject to certain limits): After you leave service in the DB Plan, your pension is revalued in line with the Retail Prices Index (RPI) subject to certain limits. These limits are 5% pa for periods of pensionable service before 5 April 2009 and 2.5% pa for periods of pensionable service from 6 April 2009 to 31 December 2011.

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. With effect from 31 March 2024 (or such later date as we may tell you), your DB Plan pension would increase broadly in line with the Retail Prices Index (RPI) until your retirement (subject to certain limits noted in "Technical terms" section of this letter). For ease of your understanding, we shall refer to 31 March 2024 throughout this letter.

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 whilst compensating those members where this proposal may lead to them receiving less pension than they would have done if the DB Plan had continued.

1.2. What does the proposal mean?

The impact on your benefits is set out on page 4, 5 and 6.

1.3. What are the conditions for me to receive the one-off increase to my benefits?

The Trustee will calculate whether your benefits should be increased if you remain an active member of the DC Plan at 31 March 2024 i.e. you are still in service and have not opted out of the Scheme at that date.

If you leave employment, opt out of the Scheme, transfer out of the Scheme, or retire before 31 March 2024, you will not receive a one-off increase to your DB Plan pension.

1.4. When would I get the one-off increase to my benefits, if relevant?

Any one-off increases will be made on 31 March 2024.

1.5. 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).

1.6. 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 who retain a link to MPII. 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.

1.7. 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.moneyadviceservice.org.uk/en/articles/choosing-a-financial-adviser

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

1.8. 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 page 5 (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.

1.9. What if I am incapacitated?

If you remain an active DC Plan member³ under State Pension Age and you become incapacitated for 26 weeks or longer then you will continue to be eligible for potential benefit via the employers' income protection insurance arrangement. The eligibility for cover, level of cover and payment of benefit will continue to be subject to the income protection insurer's terms and conditions and its corresponding payments in respect of your incapacity.

1.10. What if I retire or transfer out of the Scheme prior to 31 March 2024?

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

1.11. Would my take home pay change?

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

³ By this we mean a member of the Ministers Section. Members of the Basic Section do not have income protection cover.

1.12. What salary would be used to calculate my DB pension at retirement?

The Final Minimum Pensionable Income used to calculate your pension would be the same as if you had left employment on 31 March 2024. This would be the Minimum Pensionable Income for the relevant twelve month period prior to 31 March 2024. Any changes in Final Minimum Pensionable Income after 31 March 2024 would not impact your pension benefits. Your DB Plan pension would increase broadly in line with RPI inflation between 31 March 2024 and your retirement (subject to certain limits).

1.13. How is any one-off increase to my pension benefits calculated?

Your pension will be calculated based on your service (to 31 December 2011, the date the DB Plan closed) and Final Minimum Pensionable Income at 31 March 2024. From 31 March 2024, your DB Plan pension would then cease to be linked to MPI and your pension would increase broadly in line with the Retail Prices Index (RPI) until your retirement (subject to certain limits).

For some members the pension increased in line with the capped RPI is estimated to be greater than the pension based on the Final Minimum Pensionable Income, and so these proposals may be beneficial to these members.

For others the reverse is the case, and these members will be given a special one-off increase to their DB Plan pension on 31 March 2024 as compensation for this potential loss. This increase will be applied on top of the inflationary increase that will apply during the period up to retirement.

This level of one-off increase will be determined by considering a number of factors, including the likely level of future Final Minimum Pensionable Income increases relative to RPI inflation. The one-off increase is not related to any future increases to your salary.

If the Final Minimum Pensionable Income increases whilst you remain in employment are lower than the increase in the Retail Prices Index (subject to certain limits) then you will receive a higher pension under the proposal than if the DB Plan had not wound up.

If the Final Minimum Pensionable Income increases whilst you remain in employment are higher than the increase in the Retail Prices Index (subject to certain limits) then you may receive a lower pension under the proposal than if the DB Plan had not wound up.

1.14. 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.

1.15. 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. This will formally break the link between your pension and the Final Minimum Pensionable Income. 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 I still be able to take a transfer value of my benefits?

Yes. You will still be able to choose to take a transfer value of your benefits to another pension arrangement of your choice, assuming you have not already retired and are not within one year of reaching age 65. We recommend that you take independent financial advice before opting to

transfer your benefits (in some circumstances independent financial advice will be required before any transfer can proceed).

Once you have started to draw your pension you will lose the option of taking a transfer value.

2.5. Will it still be possible to take early or late retirement?

Yes. If you have not already drawn your pension, you will still be able to do so at any time after minimum retirement age (currently age 55 increasing to age 57 with effect from 6 April 2028). This is unchanged.

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

2.6. 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.

2.7. 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 or by post to Baptist House, PO Box 44, 129 Broadway, Didcot, Oxfordshire, OX11 8RT

Member to complete:

Name:
Feedback: