

ABCI 2013

RETIREMENT BENEFITS SCHEME

PENSIONS BULLETIN

(incorporating Summary Funding Statement)

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ASSOCIATION OF
BAPTIST CHURCHES
IN IRELAND

CHAIRMAN'S MESSAGE

Welcome to our second Pensions Bulletin.

Our first Bulletin for Members was issued in Summer 2020 in the middle of the Pandemic. Our second Bulletin is coming to you in the aftermath of the turmoil caused by the negative market reaction to the Liz Truss/Kwasi Kwarteng mini budget and in the middle of an energy crisis, the ongoing conflict in Ukraine, as well as a cost of living crisis caused by rampant inflation and soaring interest rates.

All of these factors have had a major impact on the Pension Scheme and have tested the mettle of the Board and our advisers. However, there are a number of reasons to be cheerful as we move forward in 2023:

- » Our top priority is paying your pension and I am pleased to say that our Pension Scheme has good levels of liquidity (cash available) to continue to pay the pensions of all of our Members without interruption
- » The results of our latest Triennial Actuarial Valuation showed that, as at 31 March 2022, the Scheme deficit had remained stable at £338,000. Although this headline figure was slightly disappointing, we are delighted to report that by 31 December, nine months later, the Scheme deficit had effectively been eliminated although the market is still extremely volatile
- » During the past year, the Trustee successfully implemented its Investment Strategy (the de-risking of our investment portfolio) by moving all of our investments out of equities (stocks and shares) into (less risky) bonds. At June 2022, 100% of our investments were in high grade corporate bonds
- » In October 2022, we started to implement our new Investment Strategy which involves moving our investments from corporate bonds into lower risk Treasury Gilts
- » During the year, our Independent Director, Neville Orr, retired after ten years of faithful service with the Scheme. However, Richard Morrow, formerly a Director in Deloitte, subsequently agreed to join the Board of the Trustee. Richard has an intimate knowledge of the Scheme and he is already proving to be an able replacement for Neville.

I hope that you find this Bulletin to be interesting and informative as well as providing you with assurance that, even in the midst of the chaotic times that we are living in, the Board and Association staff are working hard to manage the Scheme effectively and make sure that your benefits are secure.

Finally, on behalf of the Trustee Directors, I would like to thank the Secretary, Dave Ramsey and ABCI Accountant, Barrie Colgan for their sterling efforts on behalf of the Scheme throughout the year.



With best wishes

David Nicholl
Chairman of the Trustee of the ABCI 2013 Retirement Benefits Scheme

ACTUARIAL VALUATION RESULTS

Once every three years, a full actuarial valuation takes place, providing a check on the financial health of the Scheme. In this health check, our Actuary compares the value of the Scheme's assets with the value of our liabilities - the payments that we are due to make over time to Members of the Scheme.

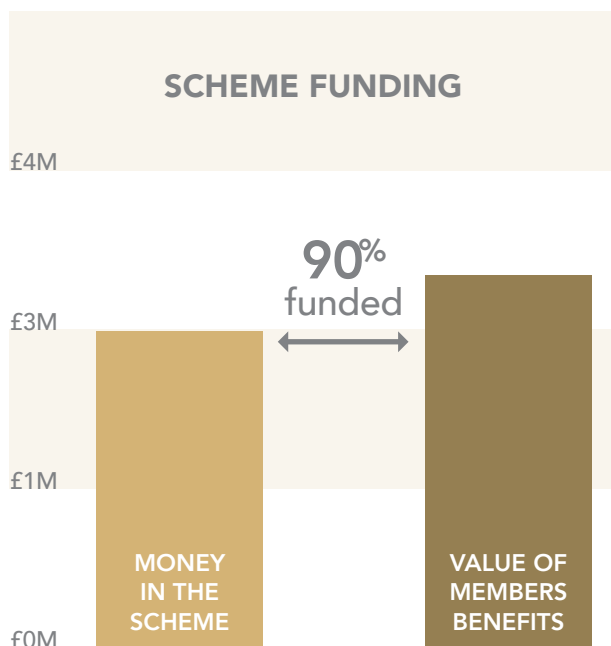
The results of this Valuation can be summarised through two key statistics:

Shortfall:

the gap between the value of the Scheme's assets and the value of its liabilities to pay out benefits until the Scheme closes through the death of the last Member.

Funding level:

the value of the Scheme's assets expressed as a percentage of the value of its liabilities - the target is ultimately a funding level of 100% or more.



In June 2022, our Actuary (Mark Frost of Broadstone Pensions Limited) carried out the latest Triennial Actuarial Valuation of the Scheme as at 31 March 2022. The results showed a funding deficit (shortfall) of £338,000 which is up slightly on the deficit of £336,000 from the last Valuation three years ago.



This means that the Pension Scheme is 90% funded compared to 91% at the last Valuation.

The main factors affecting the funding position between 31 March 2019 and 31 March 2022 were as follows:

Positive factors:

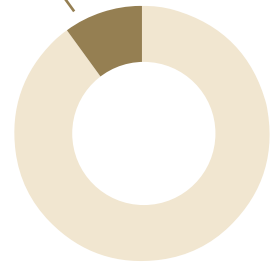
- » The Association's contributions to the Scheme
- » An increase in Government bond yields, decreasing the value placed on Member benefits.

Negative factors:

- » The investment return on the Scheme's assets, whilst positive, was less than assumed in the previous Valuation
- » In the current Valuation, the Actuary has used higher assumptions for inflation going forward to reflect recent developments
- » The Actuary updated his assumptions on mortality rates in the March 2022 Valuation to reflect increased longevity rates.

In order to fund this deficit, the Trustee agreed a recovery plan with the Association which involves the Association making an annual contribution of £30,000 to the Scheme until June 2027. The Association also meets the expenses and levies associated with running the Scheme.

£338,000



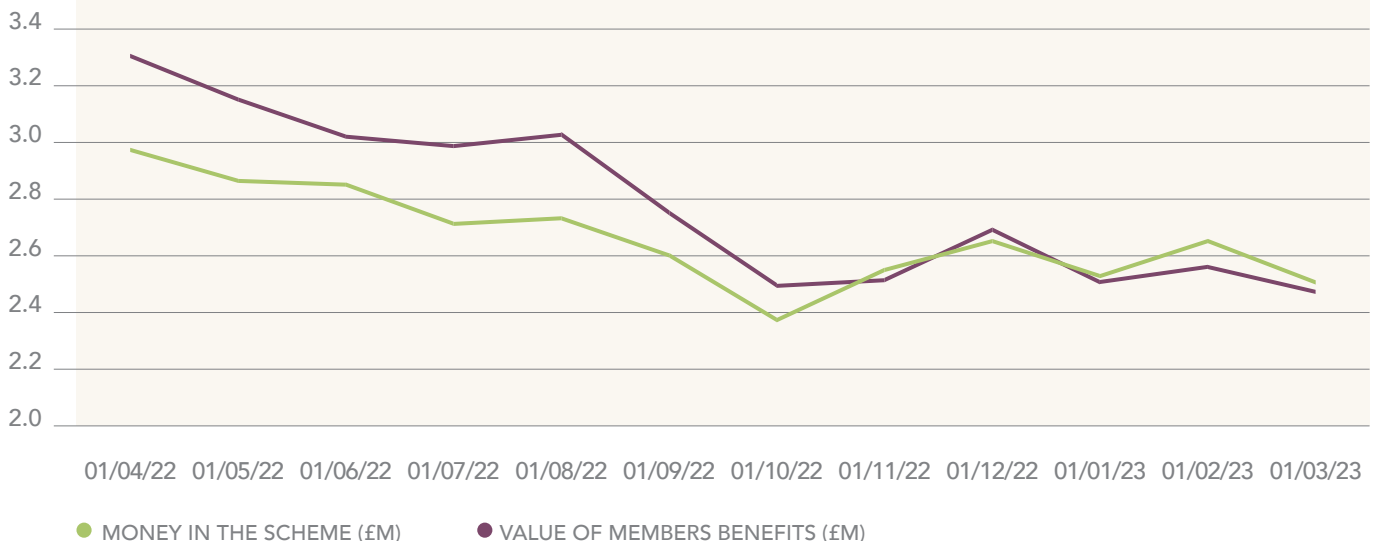
Following the previous Valuation (31 March 2019), the Scheme entered into legally binding contingent asset agreements with the Northern Baptist Corporation (NBC) whereby charges in favour of the Pension Scheme were placed over two properties owned by NBC worth some £350,000 and cash of £175,000 held on deposit by NBC. These contingencies remain in place but will only ever be activated if the Association cannot meet its required funding contributions or in the unlikely event that the Association becomes insolvent and ceases to exist.

Since 31 March 2022, investment market conditions have changed such that the cost of buying pensions has reduced significantly. As a result, the Scheme's funding position has improved dramatically to the extent that by 31 December 2022, the Pension deficit (above) has been effectively eliminated. The position changes from time to time but this is a welcome development.

In the opinion of the Trustee, the contributions through the recovery plan together with these guarantees over NBC assets and cash puts the Pension Scheme in a strong position going forward.

However, we are living in times of great uncertainty and extreme volatility, so your prayers on our behalf would be greatly valued.

DEVELOPMENTS SUBSEQUENT TO THE VALUATION





MEMBERSHIP

The ABCI 2013 Retirement Benefits Scheme is closed to future accrual and Scheme membership consists entirely of Pensioners and Deferred Members.

MEMBERS

at a glance as at 31 March 2022:

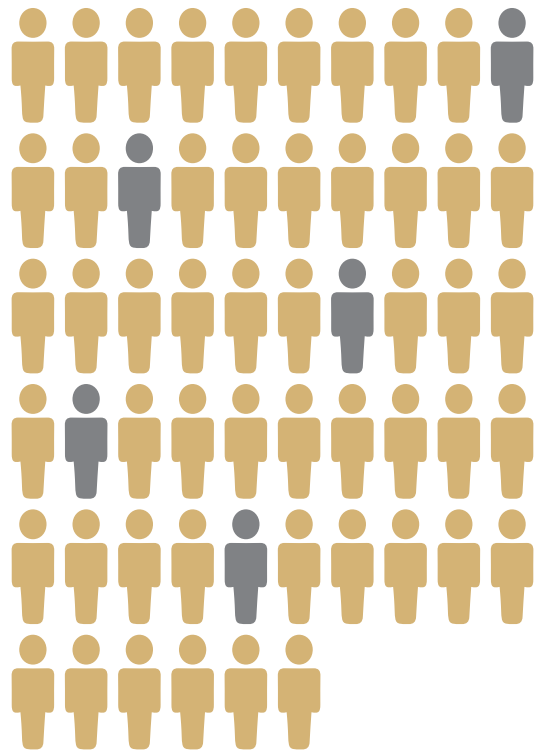
56

Total

51 Pensioners

5 Deferred Members

During the year, one Deferred Member went into payment of Pension.



SCHEME FINANCES

The Scheme produces a full set of financial accounts each year to show how much money has been paid into and out of the Scheme. Our accounts are audited annually – our current auditors are GMcG Chartered Accountants (Belfast).

The Annual Report and Accounts for the year ended 31 March 2022 have been audited and GMcG Chartered Accountants (Belfast) have confirmed that they show a true and fair view of the Scheme's financial transactions over the period.

A summary of our financial position as at 31 March 2022 is as follows:

VALUE OF THE SCHEME AS AT 01 APRIL 2021	£3,191,263
MONEY COMING INTO THE SCHEME	
EMPLOYER (ABCI) CONTRIBUTIONS	30,000
MONEY GOING OUT OF THE SCHEME	
BENEFITS PAYABLE	(183,128)
DECREASE IN VALUE OF INVESTMENTS	(81,939)
INVESTMENT MANAGEMENT CHARGES	(6,372)
	(271,439)
VALUE OF THE SCHEME AS AT 31 MARCH 2022	£2,949,824

If you would like a full copy of the Annual Report and Accounts for 2021/22 on which this summary is based, please contact Dave Ramsey, Scheme Secretary.

INVESTMENTS

The Trustee Board is responsible for setting and managing the Investment Strategy of the Scheme and, to assist us in doing this, we have engaged the services of an investment advisor (Mark Frost, Broadstone Pensions Ltd). The Trustee assesses the performance of the investment adviser annually and, in our most recent assessment, we rated Broadstone’s performance highly (9.35 out of 10).

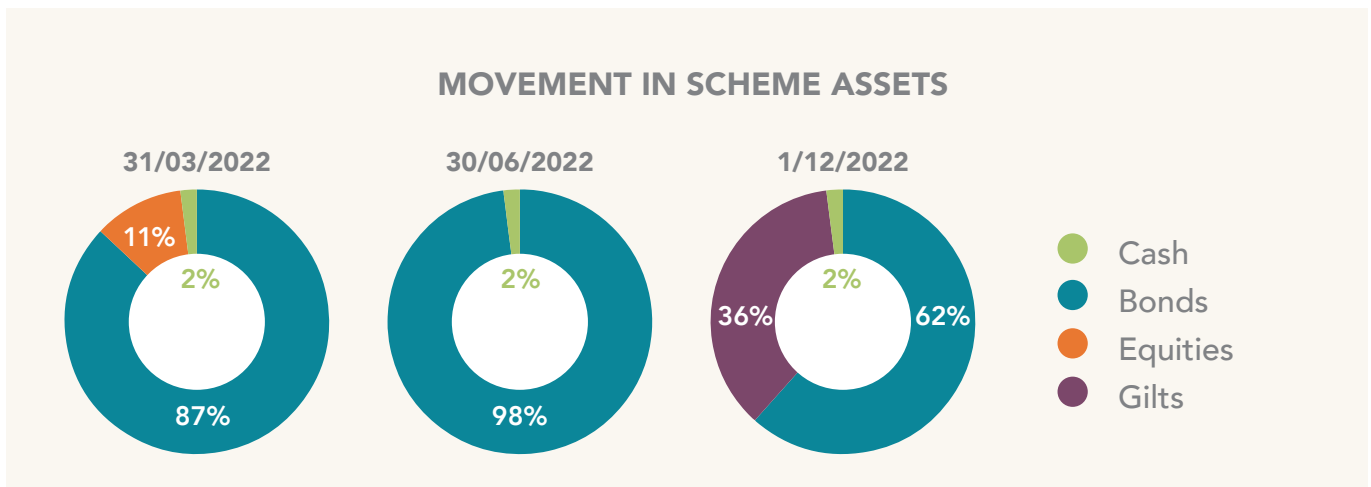
Our Investment Manager is Legal and General Investment Management.

In 2019, the Trustee Board approved an Investment Strategy whereby we set out to move the balance of our investments from 70% in equities (stocks and shares) / 30% in bonds to 100% in bonds within a period of three years. Bonds are normally less volatile than equities.

As shown in the chart below, at the date of the most recent Valuation (31 March 2022), the Scheme held 87% of its investment assets in corporate bonds and only 11% in equities.

In June 2022, acting on investment advice, the Trustee further reduced risk in the Scheme by transferring the remaining 11% (equities) into bonds and thereby successfully delivered our Investment Strategy to have all of our assets in corporate bonds.

Following the Valuation and after further discussions with our Investment Adviser in October 2022, the Trustee agreed a new Investment Strategy to further de-risk the Scheme by moving (gradually) from corporate bonds into Long Dated Treasury Gilts.



In light of the market volatility in October 2022 following the Kwasi Kwarteng ‘mini budget’, market conditions were such that an opportunity existed to move 1/3 of our corporate bonds to Treasury Gilts. Our aim is to move all of our investments over time from corporate bonds to Long Dated Treasury Gilts.

The split of Scheme assets as at 01 December 2022 was as follows:

£'000	
£54	CASH
£951	L&G OVER 15 YEAR GILTS INDEX FUND
£1,660	L&G INVESTMENT GRADE CORPORATE BOND - ALL STOCKS - INDEX FUND BONDS
£2,665	

SECURITY OF YOUR BENEFITS

Our objective is to have enough money in the Scheme to pay benefits when they are due. However, this relies on the Association continuing to support the Scheme. This is because the funding level can fluctuate and, if there is a deficit, the Association has to make it good over an agreed recovery period.

If the Association fails, the Scheme would start to wind-up. In this scenario, you might not get the full amount of your benefits, even if there is no deficit on the Trustee's funding plan. This is because, in a winding-up, the Trustee must try to secure benefits with an insurance company, and insurance company prices are much higher than the ongoing funding cost.

In the valuation at 31 March 2022, the Actuary estimated that the cost to guarantee all Members' benefits with an insurance company was £3.6 million. The Scheme's money fell short of this by £0.6 million. In a winding-up, the Association would be required to pay this deficit, but there is no guarantee that it could afford this.

In most cases like this, the Pension Protection Fund takes over the Scheme and pays compensation to Scheme Members. The amount of compensation differs depending on whether you are a Pensioner or a Deferred Member. The Pension Protection Fund's website at www.pensionprotectionfund.org.uk states that:



Pensioners

"If you had already passed your normal pension age when your employer became insolvent, or if you had retired through ill-health, you will receive a pension equal to 100 per cent of your Scheme pension on the insolvency date. This also applies if you're receiving pension benefits you had inherited from someone who died before their employer became insolvent"

Deferred Members

"If you hadn't reached your Scheme's normal pension age when your employer became insolvent, you will see a reduction in your payments to 90 per cent of your Scheme pension on the insolvency date."

Summary Funding Statement

On 06 December 2022, the Scheme Actuary issued a Summary Funding Statement in which he provided assurances to the Trustee and ultimately to Scheme Members that, since the last Valuation dated 31 March 2019, there had been no irregular activity in relation to the Scheme:

"There has been no payment out of Scheme monies to the Employer (the Association)

There have been no modifications to Scheme benefits

The Pensions Regulator has not issued any directions on the Scheme and has not imposed any additional contribution requirements"

LOOKING AFTER THE SCHEME

The Pension Scheme is governed by ABCI Retirement Benefits Limited which acts as the Trustee for the Scheme. ABCI Retirement Benefits Limited (the Trustee) has a Board of Directors who have a legal duty to protect the benefits payable from the Scheme.

OUR BOARD

The current Directors are as follows:

- » **David Nicholl** (Chairman)
- » **Richard Donnan**
- » **Uel McChesney**
- » **Richard Morrow**

In December 2021, Neville Orr, who served for more than 10 years as our Independent Trustee, stepped down from the Board. At a short presentation ceremony to mark the occasion of his leaving, Board Chairman David Nicholl paid tribute to Neville's "wisdom, insight and experience which has been instrumental in moving the Scheme from a very difficult position to the relative stability that it enjoys today. His commitment down through the years has been over and beyond anything that could reasonably be expected of a professional adviser – it has been absolutely outstanding."

Despite losing the experience of Neville Orr, the Trustee Board has been strengthened with the appointment of Richard Morrow as a Director. Richard was formerly the Director of Deloitte Total Reward and Benefits Limited and worked as a Pensions Adviser to the Scheme for many years.

At the Board meeting on 06 June 2022, Pastor Ian Grant informed the Board that he would be stepping down as a Director due to his other commitments within the Association. The Chairman thanked Ian for his commitment and input to the Trustee Board over the years and wished him every blessing as he served the Association as Vice-President and then as President.

Uel McChesney and Richard Donnan are Member appointed Trustee Directors. The Executive Committee of the Association of Baptist Churches in Ireland reaffirms appointment of Directors annually. This ensures that the Trustee and all Directors are ultimately accountable to the churches.

OUR ADVISERS

The Trustee has appointed the following professional advisers to assist it in discharging its legal duties and managing the Scheme efficiently and effectively:

- » **Investment adviser:**
Broadstone Pensions Ltd
- » **Actuary:**
Mark Frost, Actuarial Director,
Broadstone Pensions Ltd
- » **Legal adviser:**
David Hosford, Osborne Clarke
- » **Auditors:**
GMcG Chartered Accountants
(Belfast)
- » **Investment manager:**
Legal and General Investment
Management
- » **Scheme Secretary and
Secretary to the Trustee:**
Dave Ramsey

PENSIONS NEWS

Please be vigilant as scammers continue to utilise creative schemes to illegally access funds. The most common scams are 'phishing' messages.

These are e-mails or texts that might claim to contain information from the government or Health Service. Once you open the message and click on any links, your device can become infected with a virus that allows the scammers to access your personal data, like passwords and account numbers.

If you do not recognise the sender and the sender's e-mail address, please do not click any links.

PENSION SCAMS



Anyone can be the victim of a pension scam, no matter how financially savvy they think they are. It is important that everyone can spot the warning signs.

Scammers can be articulate and financially knowledgeable with credible websites, testimonials and materials that are hard to distinguish from the real thing. They try to persuade pension savers to transfer their entire pension savings, or release funds from it, by making attractive-sounding promises they have no intention of keeping.

Many scammers also try to persuade savers to transfer their money into Pension Schemes that the scammer controls.

Savers can use pensions and retirement guidance from MoneyHelper to understand their options.

Pension savers should speak to an independent adviser authorised by the Financial Conduct Authority (FCA) before making a transfer. In some cases, they are required to do so.

Check for known scams or find an authorised financial adviser on the FCA ScamSmart website.



WHERE CAN I FIND OUT MORE ABOUT THE SCHEME?

Pensioners, Deferred Members and potential beneficiaries of the Scheme can request to see any of the following documents:



- The **Trust Deed & Rules** is the legal document governing the Scheme and explains how benefits are calculated, and the Trustee's and Association's powers and responsibilities
- The **Statement of Funding Principles** explains the Trustee's policies with regards to the Scheme's funding
- The **Schedule of Contributions** and the **Recovery Plan** show how much money is due to be paid to the Scheme
- The **Annual Report and Accounts** of the Scheme shows the Scheme's income and expenditure each year
- The latest **Triennial Actuarial Valuation** Report gives more detail on the funding position of the Scheme

Please contact Scheme Secretary, Dave Ramsey, to obtain a copy of any or all of the above documents.

Data Protection

The Trustee is the ultimate data controller in relation to the Scheme. The Scheme Actuary, the Scheme Auditor and the Scheme's Legal Advisors are also data controllers. The Scheme Administrator is generally considered as a data processor. The data controllers are jointly responsible for ensuring the security of your data.



KEEPING INFORMATION UP-TO-DATE

Please keep us informed of any changes in your contact details, for example your postal address or e-mail address.

You will also need to inform us of the death of a Member in a timely manner so that arrangements can be made for payment of death benefits to a beneficiary (if applicable).

If you have any query about your pension, please contact Dave Ramsey, Scheme Secretary at:

T: (028) 9261 9267

E: dave@thebaptistcentre.org

ABCI 2013 Retirement Benefits Scheme
The Baptist Centre
19 Hillsborough Road
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ASSOCIATION OF
BAPTIST CHURCHES
IN IRELAND