The YMCA Pension & Assurance Plan Actuarial Valuation at 1 May 2005

Legal & General

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Executive Summary

The Trustees of the
YMCA Pension & Assurance Plan

Dear Sirs,

I have carried out a valuation of your scheme as at 1 May 2005 and enclose my report.

The valuation is required under Section 57(1)(a) of the Pensions Act 1995 and authorised under Section 3(iv) of the Definitive Trust Deed of your scheme. I can confirm that this valuation report has been prepared in accordance with Guidance Note GN9 (Retirement Benefit Schemes – Actuarial Reports) issued by the Institute and Faculty of Actuaries and current at the effective date of the valuation. I have made appropriate investigations to assess the accuracy and reasonableness of the data being used.

In producing my report I have borne in mind that the trustees may make it available to other parties. However, please note that this report is intended only for the use of Trustees of the YMCA Pension & Assurance Plan. Consequently, neither the actuary nor Legal & General Assurance Society Limited accept any liability to any third party to whom the report is passed.

The main purposes of the report are to examine the present funding position and to make recommendations as to the contribution rate, that should be paid in order that the scheme is able to meet its liabilities in the future. The valuation takes into account the scheme 's experience since the previous valuation as at 1 May 2002 which was undertaken by N Morley of Legal & General Actuarial Services.

Discussions have taken place between the Trustees and Employers with regard to the Scheme's future. However this report and my recommendations are based on the assumption that the current benefit structure is unchanged with active members continuing to accrue further benefits and the Scheme remaining open to new entrants. A consultation exercise is currently being undertaken with the membership about possible changes. If changes are made then the Trustees will need to take further advice from me with regard to the payment of appropriate contributions.

On this basis I recommend that the contributions from 1 May 2006 should be 34.0% of pensionable payroll inclusive of member contributions. The following table shows how this is made up.

Standard Contribution Rate	18.1%
Expenses	1.5%
Death in Service Premiums	1.0%
Deficit Amortisation	13.4%
Total	34.0%

The recommended contribution compares with the 24.0% recommended in the previous report and the 22.4% that was agreed by the employer and trustees. The former assumed that future accrual would be based on a retirement age of 63 whereas from 1 May 2003 the actual retirement age was increased to 65. The reduced figure of 22.4% reflects this change and the advice of the then scheme actuary.

The valuation shows that the Ongoing and Minimum Funding Requirement (MFR) funding levels have changed from 76% to 63% and 86% to 89% respectively.

In view of the cover for transfer values indicated in this report, I believe that it is appropriate for the trustees to reduce transfer values for non-pensioner members to either 55% of their full value or 83% of the value of each member's PPF benefits.

The net cost to the employer of ongoing accrual of pension for members is 7.5% of pensionable earnings, as detailed in Section 8.1 on page 28 based on the valuation assumptions.

I have been provided with audited scheme accounts for the year ending 30 April 2005.

A Schedule of Contributions should be agreed between the employer and trustees on the basis of my recommendation. This needs to be agreed by the trustees and employer within 8 weeks of the date of this report being signed. This will then need to be certified by me as scheme actuary.

This report has been produced on the basis of the current MFR and Schedule of Contributions regulations. Section 5 shows the prescribed valuation as required under Section 57 of the Pensions Act 1995. Section 11.2 provides details of the Scheme Specific Funding regime that will replace the MFR for future valuations.

The next valuation of the scheme will need to be carried out with an effective date not later than 1 May 2008.

George Helowicz
Scheme Actuary
Fellow of the Institute of Actuaries
28 April 2006

1 Valuation Data and Experience

1.1 General

The Scheme is an Exempt Approved Scheme under the terms of the Income & Corporation Taxes Act 1988. The benefits provided are therefore subject to the maxima imposed by the Inland Revenue for continued approval under the Act. Section 11.5 describes the imminent changes to the taxation of pension schemes. For the purposes of this valuation it has been assumed that any necessary changes to the benefit structure are introduced so that the current maxima continue to apply.

In addition the scheme is contracted out of the State Second Pension Scheme in accordance with the provisions derived from the Pensions Scheme Act 1993.

Additional Voluntary Contributions have been excluded from the scope of the report.

1.2 Membership Data

The valuation has been based on data at 1 May 2005 as supplied by the scheme's administrators. The administrators rely on instructions from the trustees to maintain the data and I have assumed that it accurately represents the position at the valuation date. A summary of the data at this and the last valuation is shown in the table below. A summary of the benefits is attached as Appendix A – Scheme Provisions.

	1 May 2002	1 May 2005
Active Members		
Males		
Number	330	328
Weighted Age Next	48	49
Average Past Service	10	10
Pensionable Earnings	£8,392,203	£9,709,000
Proportion of scheme earnings	54%	52%
Females		
Number	405	401
Weighted Age Next	46	47
Average Past Service	4	6
Pensionable Earnings	£7,195,717	£8,824,840
Proportion of scheme earnings	46%	48%

Other Members

Leavers with Retained Benefits	538	639
Pensioners secured by annuities with Legal and General	70	65
Pensioners paid from the fund	224	264
Over retiring age but not retired	37	16

Any members who have retired and whose pensions have been secured with another life office have been excluded.

1.3 Reconciliation with the previous valuation

The following changes took place in the active membership:

		Members		Pensionable Earnings (£)
At 1 May 2002		735		15,587,920
New Entrants		324		6,555,536
Salary Increases				3,153,932
Subtotal		1,059		25,297,388
Leavers with Preserved Benefits	189		4,088,584	
Leavers, with no Preserved Benefits	101		1,666,572	
Transfers	10		197,604	
Retirements	24		674,487	
Deaths	6		136,301	
Subtotal		330		6,763,548
At 1 May 2005		729		18,533,840

The pensionable earnings shown above allow for notional full-time earnings of part-time members. The actual earnings figure was £17,793,149.

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1.4 Increases in Pensionable Earnings

The overall average rate of increase of pensionable earnings for those members who remained throughout the scheme year has been as follows:

Scheme year ending in	Earnings Increase (%)
2003	6.7
2004	6.8
2005	6.1
Average per annum	6.5

1.5 Yield on the Fund

The average yield on the fund has been:

Scheme year ending in	Fund yield (%)
2003	-16.6
2004	16.1
2005	7.1
Average per annum	1.2

1.6 Contributions Paid

During the three year inter-valuation period covered by this report, contributions have been paid at the rate of 20.4% of pensionable earnings in the first year and 22.4% for the following 2 years. This compares with the recommended rates of 20.4% in the first year and 22.4% thereafter.

1.7 Scheme Assets

The investments of the scheme consist of Managed Fund units.

	Value (£)	% of fund
UK Equities	10,499,199	31%
Overseas Equities	6,572,830	19%
UK Bonds	8,357,417	25%
Index Linked	4,986,082	15%
Property	3,305,713	10%
Total	33,721,241	100%

The valuation of the assets at market value as above is consistent with the method of valuing the liabilities.

In addition, the audited scheme accounts show that there were net current assets of £593,624.

Benefits for some current pensioners have been secured by the purchase of annuities; others are paid from fund monies.

2 The Valuation Process

2.1 Assessing the Financial Position

I have assessed the scheme 's financial position in the following ways:

Ongoing Valuation

This assumes that the scheme continues and active members continue to accrue further benefits.

I have revised the assumptions for the ongoing valuation to reflect the experience and current conditions, in particular the increased cost of pensions because of the higher expectation of life at retirement. Overall this represents a strengthening of the assumptions resulting in a reduced ongoing funding level and an increase in contributions.

Securing Liabilities – Annuity Purchase

I have also examined the position of the scheme on wind-up, if members' benefits were secured by the purchase of appropriate annuities. This has become important because an employer now has legal responsibility for providing full benefits and this is the way they would be secured on a scheme wind-up.

Transfer values

If a member elects to transfer his benefits to another arrangement, the trustees are required to pay a transfer value at least equal to the expected value in the scheme of the preserved benefits. As a consequence, I have also examined the scheme's funding position relative to the total of transfer values available to all members. This is known as a GN11 report and is incorporated in the valuation.

Minimum Funding Requirement (MFR) Valuation

Legislation still requires the scheme's funding position to be assessed on the prescribed MFR basis. Under Regulation 14 of the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996 I am required to certify the MFR funding level. I enclose the appropriate certificate.

2.2 Funding Objectives

A pension scheme's finances should be controlled by means of a funding plan. The plan should be based on objectives that have been agreed between the employer, the trustees and their advisers.

For this valuation this is as follows:

1. That the actuarial value of the accumulated fund should be equal to the value of pensions accrued for service to date and that any surplus or deficit is reduced over a suitable period and

2. That subject to the above, the employer's contributions should remain, where possible, reasonably stable as a proportion of total pensionable payroll. See Section 4.6 for details of events and actions that may affect stability of contribution rates.

I can confirm that the above objectives, together with the assumptions made, determine the recommended contribution rate.

2.3 Ongoing Valuation: Liabilities

The valuation method I have used is called the Projected Unit method.

Under this method, the actuarial liability is calculated by summing the present value of all benefits accrued at the valuation date.

The standard contribution rate for retirement benefits is obtained by dividing the present value of all benefits which will accrue to present members during the five year period after the valuation date by the present value of members' total pensionable earnings during the same period. In effect, the flows of new active members and members leaving active membership are assumed to be broadly neutral so that the average age of active members remains fairly stable. The value of the accruing benefits is calculated by reference to service after the valuation date and projected final pensionable earnings. The standard contribution rate is expressed as a percentage of pensionable earnings.

The long-term contribution is the sum of the standard contribution rate and the cost of any insured benefits.

The recommended contribution is obtained by adjusting the long-term contribution to reflect the difference between the value placed on the scheme assets for valuation purposes and the actuarial liability at the valuation date. Depending on whether there is a surplus or deficit of assets, the adjustment is known as the surplus or deficit allowance respectively.

The accrued benefits are based on:

Active Members

Pensionable earnings and service at the valuation date with an allowance for future increases in pensionable earnings up to normal retirement date (or earlier death or withdrawal).

Members with Retained Benefits

Pensionable earnings and service at the leaving date with an appropriate allowance for future revaluation up to normal retirement date or earlier death.

Pensions Secured with Legal & General and paid from the fund

The actual pensions paid with increases as appropriate.

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Late Retirements

The benefits these members are entitled to with an appropriate allowance for late retirement.

2.4 Ongoing Valuation: Assets

Assets are valued at mid-market value. This approach to valuation is compatible with the valuation of the liabilities.

2.5 Asset Mix

Investment strategy is a complex area and advice from your investment adviser should always be taken prior to any decisions.

Investments can be made in various asset classes to best match the liabilities. Matching in this context is to invest in a way such that assets and liabilities move in the same way and hence variations in the surplus or deficit position of the scheme are minimised. This is a safe position for the trustees but may mean giving up extra yield to reach this position. The extent to which the trustees aim to match may reflect their attitude and that of the sponsoring employer to taking risks in order to achieve extra return. The characteristics of the various liability classes imply different assets for matching.

For pensioners and deferred pensioners the matching asset class would be fixed or index-linked gilts, depending on whether increases to pension are fixed or linked in some way to the Retail Price Index. This is because the payments needed for the benefits vary in the same way as the returns from the corresponding investments.

For active members of the scheme (i.e. those still in service with the employer) the assets need to match a liability which varies with salary increases. There is no asset class that matches this particularly well. Index linked gilts provide the closest match but equity investment provides some link to general productivity, which in itself tends to affect salary increases in the same direction. Equity investment means additional volatility in returns, which should result in better investment performance over the long term. Thus although the technical matched position would be in index-linked gilts the trustees may well feel that the expected additional return from equities, which, if it happens in practice, will mean lower financial input from the employer, is the more appropriate investment strategy in respect of active members.

The only consideration from regulations relates to those of MFR, which are specified in such a way that a matching position can be determined, though in practice this is not exact and tends to have some drift. For your scheme the liabilities underlying the MFR calculations (excluding secured pensioners) at the valuation date imply an asset mix of 52% medium coupon gilts and 48% UK equities.

This should be compared with the assets mix shown in the assets section. It should be noted that the asset classes differ to some extent from the composition of the indices to which the MFR liability is linked.

With the introduction of Scheme Specific Funding, MFR considerations will become less important.

The Trustees are recommended to take advice over the appropriateness of the current investment strategy with regard to the ongoing and MFR valuations.

2.6 Expenses

The recommended contribution allows for the cost of services provided by the Legal & General and other administration expenses. The Scheme accounts for the year ended 30 April 2005 show that total expenses were about £200,000, which is equivalent to about 1% of the pensionable payroll at the valuation date. The Trustees as a matter of prudence, have suggested that I make a 1.5% expense allowance. It is assumed that expenses will remain a stable percentage of the pensionable payroll.

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3 The Ongoing Valuation Assumptions

3.1 General

The outcome of projections depend on the assumptions on which they are based. The choice of assumptions requires consideration of past pension fund experience, current economic factors and long term future trends. No one set of assumptions will prove correct but in general it is the relationship between the various factors that is more important than the absolute value of any one item. Although absolute values will vary, the relationships between the various factors may be expected to remain more stable in the long term.

The assumptions can be grouped into financial and statistical ones and are discussed below.

3.2 Financial Assumptions

The most important of the assumptions are financial, in particular the relative values of the investment yield, the general rate of increase in earnings and the Retail Price Index (RPI). If earnings and RPI increases are higher than assumed (thus increasing the value of the liabilities) it is likely that, over the long-term, investment yields will also be higher than assumed (thus increasing the value of the scheme 's assets).

The valuation of the assets and the liabilities has been on a market consistent basis, with, as far as possible, the financial assumptions derived from the market or other economic expectations.

Market expectations of future inflation can be derived from the difference between fixed gilt returns and index linked. At the valuation date this was approximately 3%. I have made a deduction of 0.25% from this figure to take account of the inflation risk inherent in fixed returns and used 2.75% per annum for the increase in the RPI.

Following discussions with the Trustees and Employer I have used a salary assumption of RPI plus 2.5% and used 5.25%.

The costs of pensions at retirement are dependent upon the yields obtained from gilt and other fixed interest stocks. At the valuation date gilts were yielding approximately 4.5% p.a. and corporate bonds around an extra 0.5%. I have assumed a return of 5.0% p.a. for costing pensions in payment, which is consistent with the expected return from a portfolio consisting entirely corporate bonds as at the valuation date.

For the non-pensioner liabilities investment in equities is undertaken to achieve a higher return than that available on gilts and corporate bonds, though generally at the expense of greater volatility of return. The higher return in excess of gilt returns is known as the Equity Risk Premium (ERP). This is uncertain but generally a value in the range 2-4% is assumed. For the pre-retirement investment return I have assumed an ERP of 3.2% and assumed a weighted return based on a portfolio consisting of 75% equities and 25% corporate bonds, to arrive at an assumption of 7.0% p.a. The results and recommendations of the valuation are very sensitive to this assumption.

For RPI pension and revaluation increases subject to a maximum of 5% p.a. I have used an assumption of 2.75% p.a. I have used an assumption of 3.25% p.a. for RPI increases subject to a minimum of 3% and maximum of 5%.

3.3 Summary of the financial assumptions

	This valuation (% p.a.)	Previous valuation (% p.a.)
Pre-retirement investment yield	7.00	6.50
Post-retirement investment yield	5.00	6.0
Members' Pensionable Earnings increase	5.25	4.25
RPI increase	2.75	2.50
Pension increases in line with RPI with a maximum of 5% p.a.	2.75	2.50
Pension increases in line with RPI with a minimum of 3% p.a. and maximum of 5.0% p.a.	3.25	3.00
Revaluation in line with RPI with a maximum of 5% p.a.	2.75	2.5
Discretionary increases in pensions in course of payment	Nil	Nil

3.4 Statistical Assumptions

These assumptions include those relating to the mortality of members and the patterns of retirements and withdrawals.

Retirements at dates earlier than assumed may give rise to a strain on the fund. Unless any strains are relatively small they may require additional payments into the fund.

1. Mortality of members and dependants will be in accordance with that experienced under occupational pension schemes generally. For future pensioners I have used the PA92 Medium Cohort mortality table projected to 2015 for post retirement mortality and the A92 for pre retirement mortality. For existing pensioners I have used the table PA92 table projected to 2020. This allows for the improvement in mortality experienced in the recent past. At the last valuation, the PA90 table was used with a reduction of 4 years to age for post-retirement mortality. The A67-70 and AF75-78 mortality tables were used to model pre-retirement mortality for males and females respectively.

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2. At the last valuation the normal retirement date was the 63rd birthday and the following assumption was made about the proportions of active members who joined before 1 May 2000 retiring on attaining given ages expressed as a percentage of those who have not yet retired at each age.

	60	61	62	63
Males	20%	10%	10%	100%
Females	50%	10%	10%	100%

At 1 May 2003 the normal retirement age was raised to 65. I have therefore used the following retirement table.

	60	61	62	63	64	65
Males	20%	10%	10%	10%	10%	100%
Females	50%	10%	10%	10%	10%	100%

Members who joined on or after 1 May 2003 are assumed to retire at their normal retirement date.

3. Withdrawals will be 10% at younger ages reducing to 0% at age 50 and above.
4. The proportions of members who are married will be in accordance with occupational pension schemes generally, the husbands being 3 years older than their wives.
5. 75% of members reaching normal retirement date will exchange the maximum permissible pension for cash. The cash has, on average, a lower value than the pension given up and the assumption regarding this affects the contribution rate (see Section 8.2). For the last valuation it was assumed that 100% would take tax-free cash.

The statistical assumptions other than for mortality, retirement and the numbers taking tax-free cash at retirement are the same as for the previous valuation.

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4 Ongoing Valuation Results

4.1 Funding Level

One method of measuring the financial state of the scheme is to compare the value of the benefits which members have accrued for service to the valuation date, with the value of the scheme 's assets. The extent to which the former is covered by the latter is often referred to as the "funding level". The latter is simply the ratio of the assets to the liabilities expressed as a percentage.

If the funding level is above 100% then there is a "surplus" of assets relative to the liabilities whilst for funding levels below 100% there is a "deficit".

The funding level of the scheme as at the valuation date was 63% including secured pensioners and 57% excluding secured pensioners.

The table below provides further details.

	Assets £000s	Liabilities £000s
Market Value	33,721	
Current Assets	594	
Actives		28,568
Preserved Pensions		19,562
Secured Pensions	8,666	8,666
Unsecured Pensions		11,360
Deferred Retirements		289
Total	42,981	68,445
Deficit	25,464	

Notes

1. The value of pensions in payment secured by the purchase of annuities from Legal & General is shown in the table as both an asset and a liability.
2. Any pensions secured at retirement by the purchase of annuities from a life office other than Legal & General are not included.
3. The above results assume that there are no assets or liabilities other than those notified to the scheme actuary.

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4.2 Changes in the Funding Level since the last Valuation

The table below shows the main items of profit and loss since the last valuation. The table reconciles the change in the deficit between the valuation results at 1 May 2002 and 1 May 2005.

	Valuation Profit/(loss) £'000
Deficit at 1 May 2002 c/f with interest	(13,248)
Salary increases	(950)
Retirements	(550)
Investment	(3,958)
Contributions	2,647
Release of reserves in respect of members over normal retirement age	230
Change in NRD	1,600
Change in assumptions	(11,346)
Miscellaneous	128
Deficit at 1 May 2005	(25,447)

4.3 Standard Contribution Rate (SCR)

The results of my calculations show a standard contribution rate for pension benefits of 18.1% of pensionable payroll, excluding any allowance for administrative expenses. The table below shows how this differs from the corresponding figure at the previous valuation.

	% of Pensionable Payroll
SCR at last valuation	16.2
Ageing of membership	0.3
Change in Normal Retirement Age	-2.2
Change in assumptions	3.8
SCR at this valuation	18.1

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4.4 Run-off of current deficit

My preferred method for amortising the deficit is by fixed monthly payments over an appropriate period. The table below shows what the fixed payments would be for specified periods commencing 1 May 2006. The effect of the current deficit on the recommended contribution rate will depend on the period over which it is run off, as indicated below:

Amortisation Period	Monthly Amortisation Payment
5	£536,000
8	£368,000
10	£331,000
12	£276,000

As an alternative the Trustees may wish to consider paying an additional contribution of 13.4% of pensionable payroll. This amount would, in accordance with the assumptions and assuming no new entrants, be payable until there were no longer any active members. The pensionable payroll will eventually start to reduce if there are no new entrants. Note that the recommended contribution assumes that this approach is the one adopted by the Trustees.

Where the amortisation period is expressed as a percentage of pensionable payroll, the period over which the deficit would be eliminated would depend on how the future pensionable payroll increases/reduces. If the latter increases in line with the salary assumption of 5.25% then the deficit will be paid off in within 13 years.

4.5 Death in Service Benefits

Death in Service benefits are insured elsewhere. The Scheme accounts for the year ended 30 April 2005 show that the death in service premiums were just under £200,000 which is equivalent to about 1% of the pensionable payroll at the valuation date.

4.6 Stability of the Contribution Rate

One of the funding objectives is that the contribution rate should be stable. However this is not always possible for a number of reasons, in particular:

1. If the gap between the investment yield and pensionable earnings or pension increases varies significantly from the assumptions, this will affect the funding level and therefore the future deficit allowance.

2. A change in the benefits provided by the scheme or a change in the distribution of the active membership by category, age or sex would affect both the pension cost and the cost of insuring risk benefits.

3. The level of increases in pensionable earnings of members close to retirement may affect the funding level. At the valuation date there were 27 active members due to retire in the 4 years following the valuation date, representing 10% of the accrued liabilities of the active membership.

4. The contribution assumes that 75% of members commute the maximum commutable pension for cash. There will be strains on the fund if all benefit is taken as pension to the extent that the cost of pension is greater than cash.

5. Early retirements may affect the funding level depending on the actual cost of the benefit and the reserve held on the valuation basis at the date of early retirement.

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5 Minimum Funding Requirement (MFR)

The Minimum Funding Requirement was introduced by Section 56 of the Pensions Act 1995 and updated in March 2002 by way of amending regulations. The basic obligation is that a scheme's assets must cover its liabilities on a prescribed statutory basis. The Actuarial Valuation Report must be completed and signed within one year of the effective date of the valuation.

5.1 Valuation method

The liabilities are calculated by valuing the leaving service benefit (revalued to retirement date) on a prescribed cash equivalent basis for the active and preserved members. The value on an immediate annuity basis is used for any members who have passed their normal retirement date. Pensions in payment that have been secured by the purchase of annuities may be excluded.

The rates of interest underlying the cash equivalent calculations are based on equity yields for those members ten years or more from retirement date running in to gilt yields at retirement date. The calculations are made on the MFR assumptions and then adjusted by the Market Value Adjustment factors. The pensions of those who have passed retirement date are valued on gilt yields at the valuation date.

The value of the assets is taken as the market value of the investments at the valuation date as shown in the report and accounts.

5.2 Schedule of Contributions

A Schedule of Contributions that satisfies the prescribed requirements must be maintained between the trustees and the employer. If the MFR funding level is 100% or above the Schedule must maintain at least the 100% funding level. Following the introduction of the amending regulations, referred to above, if the funding level is below 100% it must reach 90% by the end of three years and 100% by the end of a further seven years.

The rates of contribution shown in the Schedule must be certified by the scheme actuary as sufficient at the date of the certification. The amounts that the scheme actuary can certify will vary with market conditions.

The Schedule of Contributions must be implemented within eight weeks of the signing of the Minimum Funding Valuation.

Once certified, the Schedule of Contributions must be recertified annually by the scheme actuary.

However, this is not required if the MFR funding level is over 100% at both the effective date of the valuation and the date of certification. The recertification must be done in the 6 week window which is 3 weeks either side of the anniversary of the certification. If the contribution rate specified is no longer considered adequate to meet the prescribed requirements, an increase will be necessary.

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5.3 MFR Funding Position

The MFR funding level at the effective date of the valuation was 89% as shown below:

	Assets £000s	Liabilities £000s
Market Value	33,721	
Current Assets	594	
Actives		15,479
Preserved Pensions		11,499
Secured Pensions	7,900	7,900
Unsecured Pensions		10,433
Deferred Retirements		274
Expenses		1,823
Total	42,215	47,408
Deficit	5,193	

Notes:

1. This assumes that there are no assets or liabilities other than those notified to the scheme actuary.
2. The valuation of the MFR liabilities of the scheme does not reflect the cost of securing those liabilities by the purchase of annuities, if the scheme had wound up at the valuation date.
3. The prescribed basis for expenses is 4% of the value of the accrued liabilities for the first £50m of such liabilities. In practice, the actual expenses incurred could be higher or lower than this.
4. The assets cover, on the MFR basis, is 100% of the expenses allowance, pensions in course of payment secured by insurance contracts, other pensions in course of payment (excluding increases in payment), 100% of other members' accrued rights (excluding increases in payment), 100% of increases to pensions in course of payment (other than where secured by insurance contracts), and 12% of increases in payment to other members' accrued rights.

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5.4 MFR Assumptions

The assumptions for calculating MFR are prescribed by regulations:

Financial Assumptions

1.	Rate of inflation	4% p.a.
2.	Effective rate of return on gilts.	8% p.a.
3.	Effective rate of return on equities.	9% p.a.
4.	Rate of statutory revaluation for deferred benefits.	4% p.a.
5.	Rate of increase in RPI, subject to a maximum of 5% per annum, in payment.	3.5% p.a.

Statistical assumptions

1. Mortality, before and after retirement, PA90 rated down 2 years;
2. Members will retire at the MFR pension age or immediately if older;
3. Proportions of pensioners who are married will be consistent with 80% (males) and 70% (females) at age 60;
4. Proportions of non pensioners who are married will be 80% (males) and 70% (females) at the date of retirement or earlier death;
5. Husbands will be three years older than their wives.

The MFR pension age is the earliest age at which a member can retire with no part of the pension being reduced for early payment, without any consent being required.

Market value adjustments (MVA)

The MVA in relation to equities is the ratio of 3.0% to the net dividend yield on the FT-SE Actuaries All-Share Index on the working day prior to the valuation date. At 29 April 2005 the net dividend yield on the FT-SE Actuaries All-Share Index was 3.19%.

The MVA in relation to gilts should be the value of the annualised yield on the FT-SE Actuaries Government Securities 15 year Yield Index or the FT-Actuaries Index Linked Over 5 years (5% inflation) Index, as appropriate, of a 15 year stock with coupon equal to the relevant long-term assumption, payable annually in arrears.

At 29 April 2005 the yield on the FT-SE Actuaries Government Securities 15 year Yield Index was 4.51% and on the FT-Actuaries Index linked over 5 years (5% inflation) Index was 1.56%.

5.5 Debt on the Employer

From 15 February 2005 an employer has a commitment on winding up the scheme, whether or not the employer is solvent, to contribute sufficient to fund the estimated full buy out of the accrued liabilities on wind-up. This would include an estimate of the actual costs of winding up the scheme. At the valuation date I estimate that there would have been a debt of £ 84,882,000 on this basis (see Section 6 for more details). The trustees may be able to agree a smaller debt if pursuing the full debt would put the future of the employer at risk.

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6 Solvency Position

An alternative approach to considering the scheme to be ongoing is to look at the funding position if the scheme had commenced wind up and deferred and immediate annuities had been purchased on the valuation date to secure the accrued liabilities.

For this purpose, the value of the assets is taken to be market value of the Managed Fund units.

The value of the liabilities has been derived using the principles likely to be adopted by insurance companies for determining such a cost. For this purpose I have used parameters provided by Legal & General as a proxy for the buy-out cost.

Using this approach, the solvency level at the effective date of the valuation, including secured pensioners is as shown below:

	Assets £000s	Liabilities £000s
Investments at Market Value	33,721	
Current Assets	594	
Actives		62,502
Preserved Pensions		40,116
Secured Pensions	9,383	9,383
Unsecured Pensions		14,398
Deferred Retirements		358
Expenses		1,823
Total	43,698	128,580
Deficit	84,882	

The expense provision is not an estimate or quotation. It has been set equal to the MFR provision in Section 5.3.

The value of the investments is subject to market fluctuation, as is the cost of annuities, and hence the solvency position can change with time from the above estimate at the valuation date.

In the event of the scheme winding up certain categories of benefit have priority and are met in full while lower priority benefits may be cut back. Taking account of the statutory priority order, the overall solvency level can be expressed as 100% of the expense provision and pensions secured pre 6 April 1997, 50% of the benefits corresponding to those payable under the Pensions Protection Fund (PPF). Further details of the statutory priority order are set out in Section 11.4.

If the assumptions underlying the above solvency liabilities are borne out over the next three years and the recommended contributions are paid, I estimate that the solvency level at the next triennial valuation will be slightly improved.

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7 Transfer Values

Members more than one year from retirement age are entitled to request a transfer value in respect of their accrued entitlement in the scheme. The transfer value calculated represents the actuarial value of the benefits that would otherwise have been preserved.

Recent changes to the legislation now permit transfer values to be reduced, where supported by a report from the scheme actuary (known as a GN11 Report), in order to protect members who leave their benefits in the scheme. This valuation report complies with the requirements of a GN11 Report.

The new legislation (Regulation 8(4) of The Occupational Pension Schemes (Transfer Values) Regulations 1996 as amended) states that the report should compare the sum of the full transfer values for all members with the market value of the investments of the scheme, less an allowance for the expenses of winding up. The comparison also takes account of the elements of the benefit receiving different orders of priority on winding up.

For the purposes of this comparison, I have included an expense allowance based on the approximate allowance used in the MFR valuation (excluding secured pensions) at the valuation date.

In aggregate, I estimate that the assets available at the valuation date would have been sufficient to cover approximately 61%of the total of the transfer values available to all members. Section 11.4 describes the recent changes to the statutory priority order that would apply if the scheme winds up in the future and the interpretation that has been adopted for this report. Taking account of this priority order, the overall cover for transfer values can be analysed as follows:

At 1 May 2005	Transfer Values & Expenses (£ 000)	'Allocated' Assets (£ 000)	Cover (%)
Assets, including Secured Pensions		43,314	
Expenses of wind-up	1,507	1,507	100
Pre 6 April 1997 Secured Pensions	6,022	6,022	100
Post NRA, PPF benefits	10,954	9,102	83
Pre NRA, PPF benefits	32,114	26,683	83
Post NRA, non PPF benefits	3,539	0	0
Pre NRA, non PPF benefits	16,004	0	0
Total Expenses & Transfer Values	70,140		

In theory, each element of a member's transfer value could be reduced in accordance with the level of cover indicated above but this can be complicated to communicate to members. Thus, the overall cover for members past retirement and overall cover for members before retirement is determined based on the above split. Using this approach, the levels of cover are:

At 1 May 2005	Transfer Values & Expenses (£ 000)	'Allocated' Assets (£ 000)	Cover (%)
Assets, including Secured Pensions		43,314	
Expenses and Pre 6 April 1997 Secured Pensions	7,529	7,529	100
Other members past NRA	14,493	9,102	63
Members before NRA	48,118	26,683	55
Total Expenses & Transfer Values	70,140		

Factors to consider before reducing transfer values

The rationale for reducing transfer values is that by paying a member more than his "share" of the fund, the trustees are adversely affecting the security of benefits for the remaining members. However, like any other discretion the trustees have, they should consider all relevant factors which will include:

- The effect of reducing transfer values is to lower the liability of the scheme in respect of the member and therefore ultimately reduce the cost to the employer. Accordingly, trustees will want to be satisfied that this is actually necessary to protect the interests of other members and not just to reduce employer costs.

- In contrast, the employer may feel that the introduction of a reduction gives a damaging impression of the state of its business and may therefore prefer to make further contributions to enable transfer values to be paid in full.

- Due account should also be taken of new regulations, designed to improve the protection for members, that require the employer to fund the scheme to ensure that all benefits are secured in full when schemes wind up. Thus, where the employer is expected to remain solvent for the foreseeable future, it is unlikely that any member would lose out as a result of a transfer value being paid in full.

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- The materiality of transfer values will also be a relevant factor for the trustees. If the transfer activity is very low and the size of the transfer values insignificant compared to the size of the scheme assets, the trustees may feel that a reduction in transfer values is not warranted. It would be possible for the trustees to change such a view if there was an increase in transfer activity.

- If a reduced transfer value is offered, it is less likely to be accepted; the Trustees may prefer to offer an unreduced CETV so as to make it more likely that it will be taken, and therefore reduce the exposure of the scheme to potential future adverse experience. This should be discussed with the employer.

In view of the approximate cover for transfer values as indicated above, I believe it is appropriate to reduce non pensioner transfer values to 55% of their full value. Alternatively the Trustees may wish to express the reduced transfer value as 83% of the value of each member's PPF benefits.

Please note that the reduction could also be applied to an outgoing transfer value for a withdrawing member in respect of whom an incoming transfer value has previously been received. Thus, if the scheme is willing to accept incoming transfer values, the trustees may wish to highlight the possibility of a future reduction at the time that the request is made by the member. If the trustees decide to reduce transfer values then, unless I am advised to the contrary, it will be assumed that this reduction will also be applied to an outgoing transfer value for a withdrawing member in respect of whom an incoming transfer value has previously been received.

8 Recommendations

I recommend that the overall contribution rate, inclusive of member contributions, - payable monthly commencing from 1 May 2006, expressed as a percentage of pensionable payroll, should be as follows:

Standard Contribution Rate	18.1%
Expenses	1.5%
Death in Service Premiums	1.0%
Deficit Amortisation	13.4%
Total	34.0%

The notional pensionable payroll on which this assessment is based is £18,533,840.

The overall contribution rate assumes that the existing contribution rate continues to be paid until 1 May 2006.

If the total pensionable payroll increases in line with the salary assumption of 5.25% then the deficit will be paid off within 13 years. The effectively assumes new entrants replace those active members who leave.

Employees' contributions (excluding AVC contributions) are included in the above rate.

Contributions throughout each scheme year will be based on the pensionable payroll at the scheme anniversary date 1 May.

The contribution rate is, in my opinion, consistent with the objectives described for this ongoing scheme.

Attention should also be paid to the solvency position of the scheme had it discontinued on the valuation date.

It should be noted that once the deficit has been eliminated the standard contribution rate plus the allowances for expenses and death in service premiums would apply.

A Schedule of Contributions is currently in place and this must be replaced and certified by the scheme actuary that it meets the prescribed requirements. However this certification is based on the position 7 days before the date of signing rather than the valuation date, so confirmation that the above rate is sufficient can only be given at a later date.

The agreed rates must be recertified annually in the 3 weeks either side of the anniversary of the certification date, if the MFR funding level is under 100% at the effective date of the valuation or the date of certification.

Appendix C describes the latest proposals for legislative changes. It highlights that the introduction of the Pension Protection Fund, the Pensions Regulator and the reduction in the cap on Limited Price Indexation pension increases from 5% to 2.5% for future benefit accrual were implemented in April 2005. The employer may therefore wish to consider reducing the cost of the scheme by changing the rate of increase on future accrual of benefit to the lower of 2.5% and inflation.

The reduction in the long term cost of the scheme of making this change for future accrual is estimated to be approximately 1% per annum of pensionable payroll, based on the valuation assumptions. As well as any expected cost savings, the capping of increases at 2.5% limits the risks associated with unexpected future increases in inflation. Please let me know if you would like to discuss this issue further.

In view of the cover for transfer values indicated in this report, I believe that it is appropriate for the trustees to reduce transfer values for non-pensioner members to either 55% of their full value or 83% of the value of each member's PPF benefits.

8.1 Net cost to Employer of ongoing pension accrual

The total recommended contribution rate is the sum of the standard contribution rate, the cost of death in service benefits and the surplus or deficit allowance. The trustees may find it helpful, in discussions with the employer, to have a separate figure for the net cost to the employer of providing ongoing pension accrual, as a percentage of pensionable payroll. This is the standard contribution rate, less members' contributions, less the reduction in Employer's National Insurance Contributions (3.5% of earnings between the Lower and Upper Earnings Limit) for being contracted out of the State Pension Scheme.

Standard contribution rate for retirement benefits	18.1
Members' contributions	8.0
Reduction in Employer's NICs	2.6
Net cost to Employer of ongoing pension accrual based on valuation assumptions	7.5

8.2 Sensitivity of the Valuation Assumptions

Clearly it is not possible to adopt a single set of assumptions that will be borne out in the future. However by considering the impact of a variation in the assumptions, it is possible to gain an insight into how the valuation results are affected by future differences between the assumptions and the experience of the scheme.

I have illustrated this below by showing the impact of changes to a number of assumptions on the ongoing funding level and the recommended contribution rate. In each case, it has been assumed that all the other assumptions are unchanged.

	Funding Level	Recommended Contribution Less Expense Allowance and Death in Service Premiums
As valuation basis	63%	31.5%
Investment yields pre retirement reduced by 0.5%	60%	32.3%
Investment yields post retirement reduced by 0.5%	60%	34.6%
Members live one year longer	62%	31.6%
Members assumed to take all pension and no cash	59%	35.9%

8.3 Review of Factors

It is appropriate to review, from time to time, factors used in the operation of the scheme, on which actuarial input may be sought. I would advise as follows.

- The factors used to calculate Cash Equivalent Transfer Values (see Section 7) were last reviewed in September 2004, and the basis used to calculate them reflects investment market conditions at the date of calculation. I do not regard it as necessary to revise this basis at present.

- Cash commutation factors are used to determine the amount of cash at retirement that a member can choose to take, per unit of annual member's pension given up. The current factors are 9 for a male and 9.8 for a female at age 65, and have not been changed for many years. The factors provide a lower amount of benefit to a member than the value of the pension foregone, as described in Section 3.4. There is no requirement in the Rules for the factors to be calculated on any particular basis. Until recently the factors were limited by what HM Revenue & Customs were prepared to approve. It is common practice for pension schemes to have factors which give substantially lower values than the actuarial liability. If the factors were to be improved to, for example, factors calculated on the ongoing valuation basis, then the effect on the recommended contribution rate would be the same as for assuming that members took all pension and no cash, as shown in Section 8.2.

- Early retirement factors are used to reduce pensions on early payment as described in Section 9.5. These are 0.33% per month, and have remained unchanged for many years. Particularly significant early retirements are referred to the Scheme Actuary for individual comment. I would recommend that the Trustees instruct me to review the factors.

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- Late retirement factors apply when members take their pension after normal retirement age, which is not a common occurrence. The factors are 0.75% per month. I would suggest that these are reviewed at the same time as the early retirement factors.

- If a member, on retirement, surrenders part of his or her pension to provide an additional dependant's pension, then individual reference would be made to the Scheme Actuary for the calculation factors. These are very rare occurrences.

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9 Appendix A – Scheme Provisions

9.1 Eligibility

Employees may join the scheme on the first of the month on which the following conditions are first satisfied:

1. They are permanent employees;

2. They have attained age 16 but not 64;

9.2 State Scheme

The scheme is contracted out of the State Second Pension Scheme under the provisions of the Pensions Schemes Act 1993. The arrangements must provide benefits that meet a 'comparability test'.

9.3 Definitions

Normal retirement age is 65 for all members.

Pensionable service is continuous service as a member of the Plan.

Pensionable earnings are basic yearly remuneration in each year.

Final pensionable earnings are the average of the best 3 years consecutive pensionable earnings in the 10 years immediately preceding normal retirement date or the date of leaving the plan.

9.4 Present Benefits

The scheme benefits described below are subject to the maxima imposed by the Inland Revenue. Section 11.5 describes the imminent changes to the taxation of pension schemes. For the purposes of this valuation it has been assumed that any necessary changes to the benefit structure are introduced so that the current maxima continue to apply.

Members' Pensions on Retirement

The pension provided for a member on retirement at normal retirement date is one sixtieth of final pensionable earnings for each complete year of pensionable service, together with a proportionate amount for each completed month.

There is provision for a member to exchange part of the retirement pension for cash.

Spouse's Pension

There is a spouse's pension of one half of a member's pension in the event of death in retirement and of one quarter of a member’s prospective pension in the event of death in service.

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Life Assurance

The life assurance benefit is four times pensionable earnings.

Pension Increases

For benefit accrued before 6 April 1997, pensions in course of payment increase at 3% per annum compound. Pensions earned after 6 April 1997 will increase in line with the Retail Price Index each year, subject to a maximum of 5% per annum. Pensions earned after 6 April 1997 by members who joined before 1 December 2001 are also subject to a minimum increase of 3% p.a. in payment.

I am not aware that any practice of awarding discretionary pension increases has occurred and thus none is assumed for the future.

9.5 Benefits on early retirement

Benefits on early retirement will be reduced in accordance with the scheme's early retirement factors.

9.6 Benefits on ceasing to be an active member of the scheme

A member who leaves the scheme before completing two years of service receives a refund of his own contributions.

A member who leaves having completed two years of service receives a benefit from normal retirement date preserved within the scheme. This is calculated as above but relating to pensionable service up to the date of leaving service and pensionable earnings on leaving service.

The preserved benefits will be revalued, the GMP currently at 4.5% per annum compound and the remaining benefits in line with the Retail Price Index, with a maximum of 5% per annum compound. Benefits in excess of the GMP earned before 1 December 2001 are subject to fixed 5% revaluation.

9.7 Members' contributions

Members contribute at a rate of 8% of pensionable earnings–

9.8 Changes since the last valuation

The following changes to the scheme have taken place since the last valuation;

- The Normal Retirement Age was increased to 65 from 1 May 2003.
- The member contribution rate was increased to 8% from 1 May 2003.

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10 Appendix B – Legislative and Regulatory Requirements

There has been considerable pensions-related activity in recent years in the area of regulation, both statutory and non-statutory.

The sections below summarise the situation in so far as it affects your scheme.

10.1 Accounting Standards

The Financial Reporting Standard (FRS17) or optionally the International Accounting Standard 19 (IAS19) currently applies to the accounts of the employer. In my opinion, the methods and assumptions used in the valuation provide an appropriate basis for assessing the scheme's funding level and future contribution rate. These methods are not necessarily consistent with the requirements of FRS17 or IAS19.

10.2 Disclosure Statements

Attached to the valuation are Actuarial Statements for the purposes of Regulation 14 and 30 of the Occupational Pension Schemes (Minimum Funding Requirements and Actuarial Valuations) Regulations 1996.

10.3 GMP Equalisation - determination by the Ombudsman

The Pensions Ombudsman has ruled that GMPs should be equalised for men and women in respect of service since the date of the Barber judgement, 17 May 1990. This ruling was made in the case of Mr I B Williamson v Sedgwick Group Pension Scheme Trustees Ltd in January 2000.

The High Court has overturned the Ombudsman's ruling so it is now unlikely that trustees will have to take action to equalise GMPs.

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11 Appendix C - Legislation

11.1 Pensions Act 2004

The following are the main features of the Act:

- The introduction of a Pensions Protection Fund to guarantee members a specified minimum level of pension when the sponsoring employer becomes insolvent.

- The appointment of a new pensions regulator.

- The replacement of the Minimum Funding Requirement with scheme specific regulation – see below for further details.

- The cap on Limited Price Indexation (LPI) pension increases is to be reduced from 5% to 2.5% for future benefit accrual.

- A requirement for trustees to have an appropriate degree of knowledge and understanding of pensions and trust law, and investment and funding principles.

- A requirement for all schemes to have at least one third of trustees who are member-nominated.

- The introduction of a regulation-making power to compel employers to issue combined pensions forecasts (combining state and private pension scheme forecasts) and to enable their employees to obtain information/advice about pensions.

In April 2005, the Government introduced the Pension Protection Fund (See Section 12.3), the Pensions Regulator and the reduction in LPI increases. These developments have been followed by the new scheme funding regime in September 2005 and the other provisions of the Act will be implemented in April 2006.

Although not included in the Pensions Act, the following additional features have been introduced at the committee stage:

- Allow accrued rights to be modified provided any rights foregone by members are replaced by something of actuarial equivalent value.

- Employees to be consulted on changes to an employer's pension scheme.

- The introduction of alternative vesting provisions where immediate vesting is not available.

11.2 Replacement of the MFR

The new Pensions Act set out the funding regime that will replace the MFR:

- Every scheme will be subject to the "Statutory Funding Objective" which requires it to have "sufficient and appropriate assets to cover its Technical Provisions". The Technical Provisions are defined as "the amount required, on an actuarial calculation, to make provision for the scheme's liabilities". For this purpose, the method of determining the assets and liabilities is set out in regulations but the assumptions to be adopted are simply required to be "prudent".

- The trustees must have a written "Statement of Funding Principles" (SFP) setting out their policy for meeting the Statutory Funding Objective.

- In addition to triennial valuations, actuarial reports will be required in the intervening years if the scheme has more than 100 members.

- If an actuarial valuation shows that the Statutory Funding Objective is not met, the trustees will have to prepare (and submit to the regulator) a 'Recovery Plan' setting out the steps to be taken to make up the shortfall.

- As under the MFR legislation, the trustees must have in place a Schedule of Contributions which is certified by the actuary as being sufficient to ensure the funding objective continues to be met or is expected to be met by the end of the Recovery Plan period.

- The trustees must also obtain the employer's agreement to the content of the SFP and Schedule of Contributions, to the basis for calculating Technical Provisions and to any Recovery Plan.

- The Regulator will have the powers to impose a Schedule of Contributions, to modify future benefit accrual under the scheme, or to give directions regarding a Recovery Plan or the calculation of Technical Provisions.

The transitional provisions require trustees to obtain their first valuation under the new funding regime at a date no later than the third anniversary of the effective date of their last full valuation undertaken before 22 September 2005. Any full valuation with an effective date on or after 22 September 2005 and completed after 31 October 2005 must be in accordance with the new funding regime. The requirement, where the scheme has more than 100 members, to secure annual reports only arises after the first full valuation under the new funding regime.

Prior to this first full valuation, the requirements in the MFR and Schedule of Contributions regulations continue to apply and this report has been produced on the basis of these regulations.

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11.3 Pensions Protection Fund

The Pensions Act 2004 established the Pension Protection Fund (PPF) with effect from 6 April 2005. The PPF assumes responsibility for schemes, where the employer becomes insolvent, if their assets are insufficient to cover what are defined as 'protected liabilities'. In broad terms, the protected liabilities are 90% of scheme benefits up to a monetary cap (100% and uncapped if past normal pension age) with increases in payment of Limited Price Indexation (subject to a maximum of 2.5% per annum) on those benefits accrued after 5 April 1997.

When an employer becomes insolvent, a PPF 'assessment period' begins during which the actuary determines the cover for the protected liabilities on a prescribed buy-out basis. At the end of the assessment period, the PPF either assumes responsibility for the scheme, and benefits are payable in accordance with the PPF pension compensation provisions, or the scheme proceeds to wind up outside the PPF.

The PPF will be self-funding with the cost met by a combination of a risk-based levy and a general levy payable by all schemes, together with the assets of those schemes for whom the PPF assumes responsibility.

11.4 Changes to the Statutory Priority Order

A new statutory winding up priority order was introduced in April 2005 to coincide with the launch of the Pensions Protection Fund (PPF). Under the new rules, after meeting the winding up expenses and removing any pensions secured by the purchase of annuities before 6 April 1997 (see below), the winding up priority order gives the benefits corresponding to those provided by the PPF a higher priority than other benefits.

The treatment of those pensions secured after 6 April 1997 will depend on whether the scheme enters the PPF in the future. If it does then the PPF will, without the need to surrender the policy, be able to restrict future increases to those pensions secured after 6 April 1997 in accordance with the PPF pension compensation provisions and direct the residual annuity payments to lower priority benefits. However, if the scheme winds up outside the PPF, it will not be possible to restrict the benefits previously secured for any existing pensioners. Thus, in this latter situation, the entire benefits secured for existing pensioners by the purchase of annuities effectively become a first priority.

For the purposes of this report, it has been assumed that any future wind up would result in the PPF assuming responsibility for the scheme. Thus, it has been assumed that the PPF would be able to restrict the future increases to those pensions secured by the purchase of annuities after 6 April 1997.

Those pensions, if any, secured by the purchase of annuities with providers other than Legal & General, by way of an open market option, are also subject to the priority order described above. However, details of the benefits secured by these annuities are not currently available. Thus, it has been assumed in this report that no restriction to future increases will arise for any of these annuities. In effect, they are therefore treated as the highest priority benefits which has the effect of slightly

understating the cover for the lower priority benefits.

11.5 Inland Revenue Review

The Finance Act 2004 introduced a number of changes intended to simplify the taxation of pension schemes. The main changes are as follows:

- One new Inland Revenue tax regime for pensions to be introduced (from April 2006) which will replace all existing regimes.
- Tax relief on member contributions will be limited to 100% of earnings or £3,600 p.a. if higher.
- An annual allowance of £215,000 on 'value inflows', which will be indexed. Any excess will normally be subject to taxation at the rate of 40%.
- A tax-free lump sum of 25% of the capital value of the pension will be able to be taken.
- A single lifetime allowance on the accumulated pension fund of £1.5m at retirement, which will be indexed broadly in line with price inflation. This replaces limits on the amount of pension that can be taken. Pension fund assets at retirement in excess of £1.5m will be subject to a recovery charge. The rate is 25% if the benefits are taken in pension form or 55% if taken as a lump sum.
- Refunds of surplus will still be permitted if a scheme has more than sufficient assets to provide the promised benefits. A tax charge of 35% will apply.
- Employees under occupational schemes will be allowed to continue working whilst drawing pension benefits. However, the minimum pension age under all pension schemes is to be raised to 55 by 2010.
- Greater flexibility regarding pension income and death benefits both prior to and while receiving retirement benefits to be introduced including allowing, on death before vesting, an unlimited tax-free lump sum to be paid.
- Trivial commutation limit becomes 1% of the lifetime allowance and applies to *all* of the members' benefits under *all* pension arrangements in aggregate. The first 25% will be tax free with the remainder taxable at the member's marginal rate.
- For defined benefit schemes, annuities must continue to be drawn by age 75.

The changes come into force with effect from 6 April 2006 ("A" Day).

Actuarial Statement made for the Purposes of Regulation 14 of the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996

The YMCA
Pension & Assurance Plan
Effective date of valuation: 1 May 2005

1. Compliance with the minimum funding requirements

In my opinion, on the valuation date the value of the assets of the scheme was 89% of the amount of the liabilities of the scheme.

2. Security of preferential liabilities

In my opinion, on the valuation date the assets of the scheme were sufficient to satisfy the liabilities of the scheme mentioned in Section 73(3) of the Pensions Act (which lists the liabilities of schemes in the order in which they are met on a winding up) as modified by Section 3 of Statutory Instrument 1996/3126 to the following extent:

Description of liability	Percentage satisfied
Pensions in course of payment secured by insurance contracts, other pensions in course of payment (excluding increases in payment) and expense allowance	100%
Other members' accrued rights (excluding increases in payment)	100%
Increases to pensions in course of payment (other than where secured by insurance contracts)	100%
Increases in payment to other members' accrued rights	12%

3. Valuation principles

The scheme assets and liabilities are valued in accordance with section 56(3) of the Pensions Act 1995, the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996 and the mandatory guidelines on minimum funding requirement (GN 27), prepared and published by the Institute of Actuaries and the Faculty of Actuaries.

Signature:.. 28 April 2006

George Helowicz
Fellow of the Institute of Actuaries
Employer: Legal & General Group plc
Legal & General House
Kingswood
Tadworth
Surrey KT20 6EU

Note: The valuation of the amount of the liabilities of the scheme does not reflect the cost of securing those liabilities by the purchase of annuities, if the scheme were to have been wound up on the effective date of the valuation.

Actuarial Statement made for the Purposes of Regulation 30 of the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996

The YMCA
Pension & Assurance Plan

Effective date of valuation: 1 May 2005

1. Security of prospective rights

In my opinion, the resources of the scheme are likely in the normal course of events to meet in full the liabilities of the scheme as they fall due.

In giving this opinion, I have assumed that the following amounts will be paid to the scheme:

Pension contributions at the rate of 22.4% of pensionable earnings payable monthly, inclusive of members' contributions, increasing to 34.0% from 1 May 2006, reducing to 20.6% from 1 May 2019 (end of expected amortisation period assuming total pensionable payroll increases by 5.25% p.a.). Contributions throughout each scheme year will be based on the pensionable payroll at the scheme anniversary date 1 May.

The assets of the scheme are currently well below the level which would be needed to secure members' pensions in full were the scheme to wind up without additional support from the employer. If annuities are purchased when members retire, additional payments, recommended by the actuary at the time of retirement, may be necessary for the continued validity of the opinion.

If there were to be a significant fall in the value of the investments, this opinion would continue to be valid only to the extent that the fall in the value of the investments was met by appropriate additional contributions.

This contribution rate is subject to review at future actuarial valuations.

2. Summary of methods and assumptions used

The actuarial method and assumptions used in making the statement above are the same as those recommended in the actuarial valuation report at the effective date.

The funding method used is known as Projected Unit. The key assumptions used in costing the retirement benefits accruing and accrued at the start of the period are a rate of interest of 7% p.a. (pensions in payment costed on 5% p.a.) and a rate of earnings increase of 5.25% p.a. to normal retirement date, with allowances for mortality and withdrawal.

Further details of the methods and assumptions used are set out in my actuarial valuation addressed to the trustees dated April 2006.

Signature:.. 28 April 2006
George Helowicz
Fellow of the Institute of Actuaries

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