

06 October 2006



## Pension and Assurance Plan

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To: Chairs and Chief Executives of Participating YMCAs  
YMCA National Secretaries of England, Scotland and Wales

Dear Colleague

This letter is a follow up to my letter of 24 August. As promised I can now provide you with an update on various issues related to the YMCA Pension and Assurance Plan ("the Scheme")

### 1 Updated Valuation

The Trustees have received and considered the updated valuation from Legal and General. This is based on assets, liabilities and service as at 01 May 2006. This valuation indicates that:-

	May 2005	May 2006
No. of Members	729	635
Assets *	£34,315,000	£44,164,000
Liabilities - ongoing *	£59,779,000	£66,190,000
Deficit – ongoing *	£26,500,000	£22,026,000
Net Full Buyout *	£84,882,000	£87,131,000
Gross Full Buyout *	£119,197,000	£131,295,000

\* NB these figures exclude secured pensions.

The main reason for the reduction in the deficit on an ongoing basis has been a substantial increase in the value of investments over and above the assumed return.

The reason for the increase in the net full buyout figure is that the updated valuation makes prudent allowance for:

- Mortality improvements in the future
- Investment in long term gilts and bonds

A summary of the updated valuation will shortly be available on the Pensions website ([www.pensions.ymca.org.uk](http://www.pensions.ymca.org.uk))

### 2. Deficit Allocation

#### 2.1 Period over which the deficit will be collected

The Trustee confirmed at their meeting in September, that this period would be twelve years from the 01 May 2007. This will be subject to review following future actuarial valuations.

## 2. Deficit Allocation (continued)

### 2.2 Service History

You will be aware from my letter of the 24 August, that a new basis for allocating the deficit has been agreed by both the Trustee and the Principal Employer. Attached to this letter is a list of those individuals with service history **pertinent to your YMCA.**

Please consider this carefully and email or write to me confirming the service history.

**All responses need to be received by the 31 October.**

**If I do not receive a response, I will have to assume that you accept the service history as attached.**

If you have any queries related to service history, please in the first instance address them to Isabel Kaye at YMCA England, 640 Forest Road, London E17 3DZ – email: [Isabel.kaye@england.ymca.org.uk](mailto:Isabel.kaye@england.ymca.org.uk)

### 2.3 Deficit Payments

The deficit payments flow from your YMCA's share of the total liabilities on an ongoing basis (now £66,190,000). Your percentage of the liabilities is then applied to the net deficit (£22,026,000).

A 7% investment charge is then applied on a reducing balance basis to give you the monthly payments.

Attached to this letter is the provisional figure outlining your liability and the monthly payments.

**These figures are provisional and are subject to verification of service history.**

### 2.4 Expenses

The Trustee has confirmed that the budget for expenses, including the PPF levy, for the year commencing 01 May 07, will remain the same as for the current year at £250,000. On the attached spreadsheet you will see how this is reflected in your monthly payment. **These figures are provisional and are subject to modification due to any changes in service history.**

## 3. Approach to the Pensions Regulator

Philip Walker, Chair of the Trustee Company, Chris Poulard representing the Principal Employer and myself met with the Pensions Regulator on the 19 September. The following topics were discussed.

### 3.1 Link with final salary

It would seem from our initial discussion that there might be a mechanism to mitigate the risk to Participating YMCAs of immediate payment of their "full buyout" liability when their last active member leaves.

It would enable the Scheme to be deemed to be closed whilst enabling all those members in the Scheme as at the 30 April 2007, to preserve their pension entitlement at normal retirement age in such a way as to reflect their salary increases during their period of continued employment with their employer as at the 30 April 2007.

This mechanism is being considered by the Pensions Regulator and the conclusion is by no means certain.

The Principal Employer and the Trustee are also seeking separate legal advice on this matter.

3. Approach to the Pensions Regulator (Continued)

3.2 **Mergers**

The Regulator has indicated that where mergers take place and one Participating Employer ceases to exist, this would trigger a withdrawal event and would require the net full buyout payment to be made. We have outlined the nature of the YMCA Movement and sought advice from them on this matter.

3.3 **Incorporation**

The Regulator stated that where YMCAs were moving from unincorporated to incorporated status this would also trigger a full buyout. They believe that the strength of the covenant of the unincorporated YMCA is stronger than the incorporated YMCA due to the fact that under incorporation there is a limit on the liability of Trustees. The Regulator is also aware of the Charities Bill, related to England and Wales, going through Parliament and the new legal entity called the Charitable Incorporated Organisation (CIO). They are currently working with the Charity Commission and are writing a policy document to cover this issue.

It is likely to be a few months before such a policy document is published.

**Therefore if any participating YMCA is considering a merger or incorporation, as a matter of urgency they need to take professional advice on whether there is a risk to them of triggering a full buyout.**

**We are awaiting written response from the Pensions Regulator on all of these issues.**

I look forward to receiving confirmation on your service history and if in the meantime you have any queries please don't hesitate to contact me at the address/email below.

Yours sincerely,



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Company Secretary

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Encs.