

July 2007

To: Chairs and Chief Executives of Participating Employers in the YMCA Pension and Assurance Plan in England, Scotland and Wales

c.c.: Pension Trustee Directors  
National Secretaries of England, Ireland, Scotland and Wales  
YMCA Regional Executive Officers in England

Dear Colleague

### **Breaking The Link With Final Salary**

First of all, many thanks to all of those who responded to my letter of 27 April 2007.

Out of the 105 Participating Employers with semi-active members I wrote to, we had responses from 101.

The matter has been discussed at a meeting of the National Secretaries of England, Ireland, Scotland and Wales; the Pension Deficit Coordination Group within the Principal Employer and the National Board of YMCA England sitting as Principal Employer.

Although there was an overwhelming response which agreed that more work in principle should be undertaken on breaking the link with final salary, there were a number of reservations raised in the comments section on how this could be achieved.

See the Appendix for summary analysis and comments.

At a meeting of the Principal Employer on the 07 July, it was concluded it would not be possible to convince **ALL** Participating Employers to effect a change to their employee terms and conditions of employment. Therefore they agreed that they would keep this issue under constant review, but at this time further resources should not be expended.

As at the 30 April 2007, there were 700 semi-active members across 105 Participating Employers. Of these 105 Participating Employers, 42 have only one, two or three semi-active members. Then when one looks at the liabilities attributable to these 42 Participating Employers, it amounts to just over 13% of the total liabilities. Since the 01 May this year, at the time of writing this letter, 19 semi-active members have left the YMCA Pension and Assurance Plan, this is across 14 Participating Employers.

There have been 10 Participating Employers since last year that have triggered, or voluntarily triggered a full buyout. However, the analysis undertaken so far indicates that all their full buyout liabilities will be met.

The Trustee of the YMCA Pension and Assurance Plan has developed a traffic light analysis on the strength of the covenant with Participating Employers. This traffic light system is monitored across two specific areas:

- 1) The change in number of semi-active members with a Participating Employer at any given time.
- 2) The ability of each Participating Employer to meet its monthly payments.

As a result of this analysis the Trustee will put Participating Employers on '**Watch**' or '**Action**'. If allocated '**Action**' the Trustee will communicate with that Participating Employer to seek further information, including the ability to meet their full buyout liability.

The Trustee will continue to work closely with the Principal Employer on this issue to enable the Principal Employer to support Participating Employers. In turn the Principal Employer has agreed to keep the matter under close scrutiny.

Thank you again for your response to my letter.

Yours faithfully,

Angela Sarkis  
National Secretary

## APPENDIX

### YMCA PENSION AND ASSURANCE PLAN

#### SURVEY RESULTS - BREAKING THE LINK WITH FINAL SALARY

##### SUMMARY

Number Responding		YES	%	NO	%	QUERIES	%	NO REPLY	%
101	96%	91	87%	8	8%	2	2%	4	4%
Representing No. of semi-active members		YES	%	NO	%	QUERIES	%	NO REPLY	%
685	98%	590	84%	80	11%	15	2%	15	2%

Letters Issued 105

Number of Semi-active Members 700

Comments received from those Associations **in favour** of breaking the link with final salary

- Delighted that you are proceeding in this difficult path.
- The box to agree was ticked with some hesitation, that the staff that were affected would ultimately be able to support such a step; I think the benefits to the Movement as a result of any foregone benefit would have to be overwhelming and clearly communicated.
- The Board has consulted with the Plan members and they have agreed to this approval in principle.
- We agree in principle although we are not confident that we will be able to effect changes to terms and conditions of employment.
- We have a number of employees who could reasonably expect career, and therefore salary, progression within the organisation and who would be significantly disadvantaged by breaking the link with final salary.
- We could not afford the immediate cost of a buyout but any potential loss of pension due to removing the link would require some compensation.
- The Board would need some convincing that it was realistic to expect that the express consent of all semi-active members would be forthcoming
- We agree in principle that further work should be undertaken to consider breaking the link with final salary but feel that the costs should be minimised as far as possible as we feel the chances of all semi-active members agreeing must be small, unless some form of guarantee to compensate them for any monies lost could be devised. We would suggest that an investigation devising such a scheme would be the best way forward.
- Staff have agreed that we should explore breaking the link with final salary but have reserved the right to make their own personal decision a later date.
- We decided not to disagree and await the outcome of further work
- We regard the breaking of the link with final salary to be an essential part of the risk management strategy towards the Pension Scheme issue.

Comments received from those Associations **opposed** to breaking the link with final salary

- At our Board meeting, the Directors unanimously accepted to disagree with the suggestion.
- The decision was taken by the Board of Directors at our meeting duly held.
- The Association does not wish further work to be carried out to break the link between pensions and final salary at this time. This position could change in the light of understanding more fully the risk of orphan liabilities impacting on our YMCA.
- We understand that the Trustee is currently working on a traffic light system to highlight the risk and will be interested to see the outcome of this work.
- It is difficult for us to sensibly answer this question as we are not in possession of all the information we need to make a balanced answer. We need to know more about the viability of all of the Participating Employers. When we are in possession of better information our answer may well be different.