

Dear Colleague,

YMCA Pension and Assurance Plan (Plan): Update

In January 2021, at the time of informing YMCAs of the outcomes from the Pension Plan triennial review, we undertook to increase the level of communication to participating YMCA employers on the (closed) YMCA Pension Plan. In this light it is therefore the aim to communicate at least twice a year on all key developments and information important to employers. This is the first of those communications, and we hope this information will assist YMCAs in their understanding of the Plan, the work that is undertaken to manage the Plan and also help to inform future planning.

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Patron:
Her Majesty the Queen
President:
The Most Reverend
& Right Honourable
Dr. John Sentamu

Funding Position

With the return of growth in investments in 2020 and continuing into 2021, there has been a significant improvement in the funding position of the Plan (the funding position is the ratio of value of assets to liabilities so 100% ratio would mean that the liabilities are fully funded.) As noted in the triennial valuation, the funding position deteriorated significantly in the first quarter of 2020, and at the end of quarter 1 stood at 69.0%. This was clearly due to the uncertainty created by the pandemic. We are pleased to report, however, that the position at the end of the first quarter of 2021 has improved significantly and now stands at 80.8%. There is still considerable uncertainty due to the recovery from the pandemic and the impact of Brexit, but the fund is in a much better position than it appeared in early 2020 and suggests that the current Deficit Repair Contributions are appropriate. This good performance over the last few months, if sustained, should provide a sound basis for the Triennial Evaluation in 2023.

Plan Assets

Mercer invests the Plan's assets through a number of different investment funds, where a diversified range of underlying investment managers invest assets on behalf of the Plan. 2020 was a volatile period for investment markets, but the Plan's assets performed strongly, protecting the funding position of the Plan and delivering positive performance, leading to an improvement in the observed funding level. As noted at 31 March 2021, the funding position of the Plan was 80.8% with an increasing allocation to

YMCA enables people to develop their full potential in mind, body and spirit. Inspired by, and faithful to, our Christian values, we create supportive, inclusive and energising communities, where young people can truly belong, contribute and thrive.

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matching assets. These matching assets aim to protect the funding position of the Plan further. As a result of the Plan's funding position being ahead of expectations a number of de-risking triggers were hit.

Enhanced Transfer Value: Sweep Up

Whilst having concluded the enhanced transfer value (ETV) exercise some time ago, there were a number of members that had to be excluded from the initial offer due to issues with HMRC in relation to Guaranteed Minimum Pensions or problems with member address changes. Although it has taken some time to obtain this information from HMRC through the Plan's administrators, we have now reached a point where we understand the numbers within scope (approximately 100 members), and have agreed final costings with professional advisors. We will therefore be looking to conclude the sweep up exercise shortly. Whilst the delay has been caused mostly by factors outside of our control, there is a need to complete the exercise to ensure a fairness of treatment to members. We have managed to structure this so that it should remain within the original budget contributed by employers for the ETV exercise, despite being forced to split the exercise into two stages.

Deficit Repair Contributions

As noted in January 2021, there has been movement in the share of the liability that is held by individual YMCAs. This has been due to both the general changes in member population but also the enhanced transfer value exercise. As the share of the total liability is used to calculate the contributions paid by individual YMCAs, there is a need to update the current contribution share for this change in liability (the current basis is based on the share held in 2014). The total amount of contributions paid will remain the same, but among individual employers there will be a change of the split, and there will be some winners and losers depending on the movement. This work will take place after the conclusion of the sweep up of the enhanced transfer value exercise and we will look to communicate further on this later in the year.

Covenant Review Committee

In the light of the need for intervention with employers having financial issues, and to assist the Pension Trustees in their management of the Plan,



a small sub-group has been formed from the Pension Trustees to solely focus on issues that may impact the strength of the Plan employer covenant. This group has been named the Covenant Review Committee (CRC) and considers issues which might indicate a YMCA's ability to meet its future pension contributions, or may lead to a weakening in the strength of that YMCA to meet its obligations to the Plan, known as the employer's covenant. Any weakening in covenant has implications for all YMCAs as it will increase the Plan risk, and in turn the cost of the Plan. This aspect of work is therefore important, pulling together information from a number of sources, engaging with appropriate expertise and with the Principal Employer taking steps to manage any implications in the interests of participating employers in the Plan. If you would like further detail on the role of the Covenant Review Committee please do not hesitate to contact:

sureshbhatt@pensionsymca.org.uk
gwynnejarvis@pensionsymca.org.uk

or

Health-check

An important element in the assessment of YMCAs' long-term ability to pay is the health-check. A revised version of the health-check was issued last year, and we are grateful to those YMCAs that returned completed health-checks. Recognising that YMCA priorities for the past year have been very much focused on other priorities the decision was taken by the Principal Employer not to chase responses. However, with the adoption of the membership agreement the completion of the health-check for YMCAs in England and Wales is a membership requirement. Scottish YMCAs are providing their information to YMCA Scotland who are sharing it with the Trustee. Please therefore do look out for the reissued health-check. As before, unless notified otherwise this information (collected by YMCA EW / YMCA Scotland) will be shared with the Pension Trustee. If you do have any questions on the health-check please contact: Jamie.Hutchinson@ymca.org.uk

Notifiable Events

There are a number of different circumstances when a YMCA must notify the Pension Trustee to aid their stewardship of the Plan. This includes circumstances when a YMCA is planning to sell assets, borrow, take out charges, merge (whether within or outside the Federation) as well as other aspects that may lead to changes in the balance sheet of the YMCA, and



thereby impact on the Plan. These events can have implications for all employers in the Plan including triggering repayment of the whole of an individual YMCA's liability, which is why early engagement with the Pension Trustee is crucial. A reminder of the circumstances in which YMCAs are required to notify the Pension Plan is attached at appendix A. Where such a change does arise please notify: Gwynne Jarvis at the email above. Some of these notifiable events may also have to be notified to the Pensions Regulator as well.

Understanding the Plan

We are very conscious that the closed Pension Plan has been a significant concern for YMCAs for a period of time. During this time there will have been turnover in Chairs, Trustees and CEOS. We are sure some will have learned much about the YMCA Pension Plan, but equally some will benefit from some greater understanding. We have put together the attached presentation as a short summary to help further any who feel they would like to understand a little more. Whilst not attempting to be fully comprehensive of all pension related aspects, it covers the key aspects of the Plan in relation to history, status, funding position and future. This can be accessed in a slide show format with a voiceover, and takes approx. 30 minutes to listen to from start to finish. The materials in the slideshow can be accessed here: [Participating Employer Presentation](#).

We do hope this is helpful but if you do any questions please do not hesitate to contact either Gwynne or Jamie on the email addresses above.

Pension Plan Website

In addition to the above (which is available on the Pension Plan website), there is also further additional material for employers available on the website. If you would like to access these further materials please follow this link: <https://pensions.ymca.org.uk/information-for-participating-employers>

The Future

Once the ETV exercise is fully complete, the Pension Liability Reduction Group alongside the Pension Trustee will be reviewing the long-term future for the Plan. Once that work has been completed, we will keep you informed.



Finally in conclusion we hope that this information is helpful. The Pension Plan implications for YMCAs have featured large in thinking over the years, but with YMCAs standing together alongside effective Pension Plan management that addresses issues as these emerge we believe that this is manageable and that we will reach a time where this no longer absorbs as much time, effort and resource as now. If you have any suggestions about material that you would like to see included in future twice-yearly updates, then please e-mail Jamie on the email address above.

Kindest regards, on behalf of:

Jamie Hutchinson, Principal Employer

Alan Botterill, Pension Trustees

Andrew Newell, Pensions Liability Reduction Group

THE YMCA PENSION AND ASSURANCE PLAN (THE "PENSION PLAN")

Participating Employer factsheet on events to notify to the Pension Trustee

Introduction

To enable the Pension Trustee to monitor Participating Employers' viability and financial health, Participating Employers should tell the Pension Trustee about events that may impact their viability and financial health in the short term.

Events to tell the Pension Trustee about

This factsheet sets out examples of events which Participating Employers should tell the Pension Trustee about. Broadly, the events below are those which can have an adverse impact on the Pension Trustee as a creditor of the Participating Employers. **If you are unclear about whether this affects your YMCA's position, we encourage you to seek advice. The Pension Trustee is also happy to answer queries wherever possible.**

- A decision to take action which will, or is intended to, result in a debt which is or may be due to the Pension Plan not being paid in full (for example applying to dissolve the YMCA entity without settling its obligations to the Pension Plan).



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- A decision to cease business or charitable activities in the UK (or actually ceasing to do so).
 - Breach of a covenant in the YMCA's banking or finance documents, except if the bank agrees not to enforce the covenant.
 - If a YMCA is owned by another entity, a change in the entity that owns or controls the YMCA.
 - The receipt of advice that the YMCA is trading wrongfully, or it becoming clear that the YMCA will have no choice but to go into liquidation.
 - The conviction of a director of an offence involving dishonesty.
 - The sale of a material proportion of the business or assets of the YMCA or any trading company. This is particularly the case where the sale is not at arm's length for fair value, where the sale proceeds are not retained, or where the whole or a substantial part of the operating business is sold.
 - The grant of security on a debt to give it priority over a debt to the Pension Plan. For example, taking out a new mortgage on the property of a YMCA or its wider group.
 - A change in the level or priority of an existing security given to creditors.
 - A return of capital by any company in the YMCA's group. For example, any dividend payments or share buybacks.
 - A group reorganisation or restructuring. This will include a change or partial change to the control structure of the YMCA or any parent company.
 - A sale and leaseback transaction which leads to a reduction of assets or net cash.
 - The grant or repayment of a loan to an entity within the YMCA's group.
 - An arrangement resulting in the YMCA re-emerging as substantially the same entity following an insolvency event.
 - A corporate event that would reduce sustainable cash flow cover for the YMCA's funding commitment to the Pension Plan, such as an increase in debt or a reallocation of debt.



- Transferring substantial assets out of the YMCA to a third party which has no legal connection to the Pension Plan.
- Taking on substantial debts or guaranteeing another entity's debt.
- Any other event which there is reasonable cause to believe will be of material significance to the Pension Trustee in the exercise of any of its functions.

If in doubt as to whether an event should be notified to the Pension Trustee, we encourage you to speak to the Pension Trustee to help decide whether further action needs to be taken.

