The YMCA Pension and Assurance Plan

Scheme funding report on the Actuarial Valuation as at 1 May 2020

January 2021

Executive summary

79%

Funding Level

£38.9m

Estimated scheme funding deficit

£3.182m

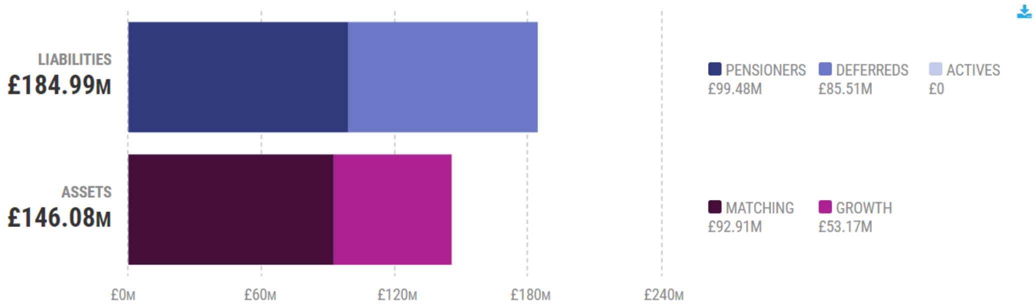
To pay per year for 9 years increasing at 3% pa to make up the shortfall

The Trustee has completed a valuation of the Plan as at 1 May 2020. This report sets out the approach adopted by the Trustee, the results obtained and the actions taken in the light of those results.

The key results are as follows.

Scheme funding assessment

In funding the Plan, the Trustee's key objective is to ensure that there will be sufficient assets to meet all benefit payments as they fall due. With this in mind, the Trustee has set a target reserve for the Plan based on a prudent estimate of the amount needed to meet all payments in respect of the benefits earned up to the valuation date.



FUNDING LEVEL

79.0%

SURPLUS / (DEFICIT)

(£38.91M)

Employer contributions

The Employer has agreed a recovery plan with the Trustee. The Trustee and Employer have agreed to take account of post valuation experience by incorporating the improvement in the funding position since 1 May 2020 to 30 November 2020.

A summary of the funding position at 30 November 2020 is as follows:

FUNDING LEVEL

80.4%

SURPLUS / (DEFICIT)

(£35.80M)

Executive Summary
continued

The aim of the recovery plan is that the shortfall at 30 November 2020 will be made up over a period of 9 years from the valuation date. The shortfall will be made up by both investment returns on existing assets and future contributions, where it has been assumed that assets outperform the discount rate by 0.5% per annum, and by paying future contributions of £3.182m per annum in the year commencing 1 May 2020 as per the Recovery Plan dated 30 April 2020, and then by paying contributions of £3.277m per annum commencing 1 May 2021 and increasing at a fixed rate of 3% each May thereafter.

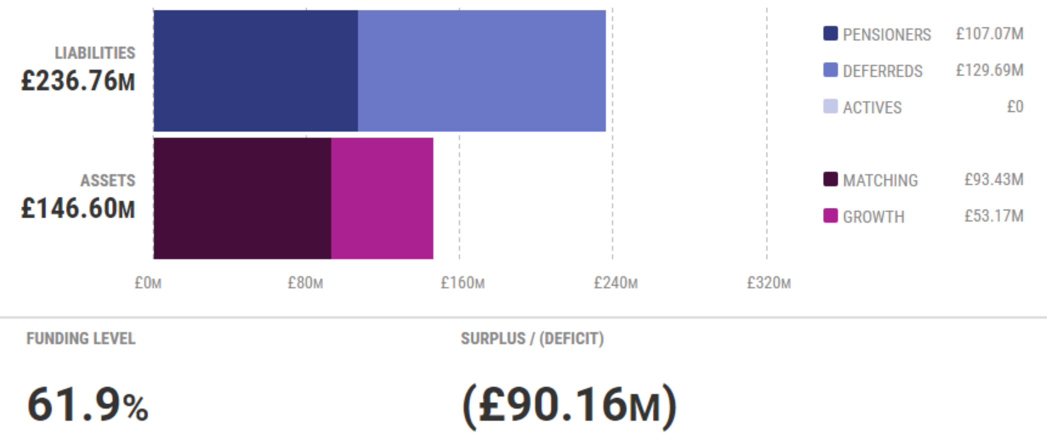
Full details are set out in the schedule of contributions and recovery plan.

62%
Solvency funding level

£90.2m
Estimated solvency deficit

Solvency assessment

I have also completed a solvency assessment of the Plan. This estimates the extent to which the Plan's assets would be sufficient to secure members' benefits by the purchase of insurance policies if the Plan were to be wound up at the effective date of the valuation.



Contents

Executive summary 1

01 Introduction 4

02 Funding objectives and assumptions 6

03 Scheme funding results 7

04 Solvency assessment 16

05 Next steps 19

Appendix A Plan benefits 20

Appendix B Membership data 21

Appendix C Assets and investment strategy 22

Appendix D Summary of key assumptions 25

Throughout the report:

'Plan' refers to the YMCA Pension and Assurance Plan

'Trustee' refers to the Trustee of the YMCA Pension and Assurance Plan

'Employer' refers to the Participating Employers of the Plan

01 **Introduction**

Background

This report should be made available to the Employer within 7 days of receipt.

The Trustee of the Plan has undertaken a formal valuation of the Plan as at 1 May 2020.

I have already provided the Trustee with all of my advice in relation to the valuation, including the results, in a number of previous reports, letters and presentations. The purpose of this report is to set out in one place the final results of the valuation and to satisfy the legislative requirement for reporting and certifying the results of the valuation, within 15 months of its effective date.

The report is addressed to the Trustee. Legislation requires the Trustee to make it available to the Employer within 7 days of receipt. As a recovery plan is required, a summary of the actuarial valuation must be submitted to the Pensions Regulator ("TPR") within 10 working days of the schedule of contributions being certified. The results were submitted to the Pensions Regulator on 6 January 2021.

The actuarial results were submitted to the Pensions Regulator on 6 January 2021

The following documents are relevant to the results in this report:

> My report "Setting the scene for the 2020 triennial valuation and discussing actuarial assumptions", dated 3 June 2020

> My report "Preliminary results of the Actuarial Valuation as at 1 May 2020", dated 6 October 2020

> My report "Estimating the potential impact of GMP equalisation", dated 21 October 2020

> Colin Price's report "Report on the actuarial valuation as at 1 May 2017", dated January 2018

> Minutes of the Trustee and valuation sub-committee meetings

Developments since 1 May 2020

Improvement in funding position
As set out in further detail on page 11, the valuation date fell shortly after the full impact of Covid-19 restrictions were imposed in the UK. Due to these restrictions and the wider restrictions in the rest of the world, investment markets and bond yields were particularly volatile with large fluctuations in value over very short time periods. Once the impact had settled down, investment markets began to recover somewhat. The view was taken that striking the valuation and taking long-term decisions based on a potentially temporary and low position at 1 May 2020 was not appropriate.

As such, it was agreed by the Trustee during December 2020 that the updated funding position at 30 November 2020 (taking into account the impact of material cashflows since the valuation date and economic factors only) would be used as the base-line for the Plan's funding decisions, this date being chosen as the most recent month end. The valuation certificates were then drawn up and signed in December 2020.

Developments regarding 1) RPI and 2) GMP equalisation
During November 2020, two further developments have impacted the Plan. These are in relation to:

Introduction
continued

1) RPI being due to be measured in the same way as CPIH from 2030; and

2) A further judgement requiring that transfer values in relation to members who have previously transferred benefits out of the Plan should be revisited and equalised on account of any GMP inequalities.

For the avoidance of doubt, due to the timing of both of the above, their impact has not been taken into account in this valuation.

I will provide further advice to the Trustee on these matters in due course.

02 Funding objectives and assumptions

The methodology used in deriving the assumptions are described in detail in the statement of funding principles, dated 22 December 2020

The Trustee has adopted a working assumption that the Employer covenant is tending to weak

The funding objective

The Trustee's key funding objective is to ensure that there will be sufficient and appropriate assets to cover its technical provisions (value of the liabilities on the Plan's funding assumptions).

Method and assumptions

In carrying out the valuation of the Plan, a number of assumptions need to be made. For the scheme funding valuation, the method and assumptions are set out in the Trustee's statement of funding principles dated 22 December 2020, which has been agreed with the Employer.

Employer covenant

The Plan is supported by the covenant of the Employer. Generally speaking, covenant is the extent of a sponsor's obligation and financial ability to support its pension scheme now and in the future. The sponsor's covenant underwrites the risks to its pension scheme.

For the first time a formal independent covenant assessment was undertaken, which was carried out by KPMG LLP during 2020. This incorporated a review of the Employer's detailed financial projections for 2020 as well as longer term projections and its wider activities.

The Trustee concluded that the Employer's covenant should considered to be tending to weak.

In agreeing the scheme funding valuation assumptions and the recovery plan with the Employer, the Trustee took into account the strength of the Employer's covenant by setting assumptions which they consider to be sufficiently prudent, which is discussed in more detail on page 15.

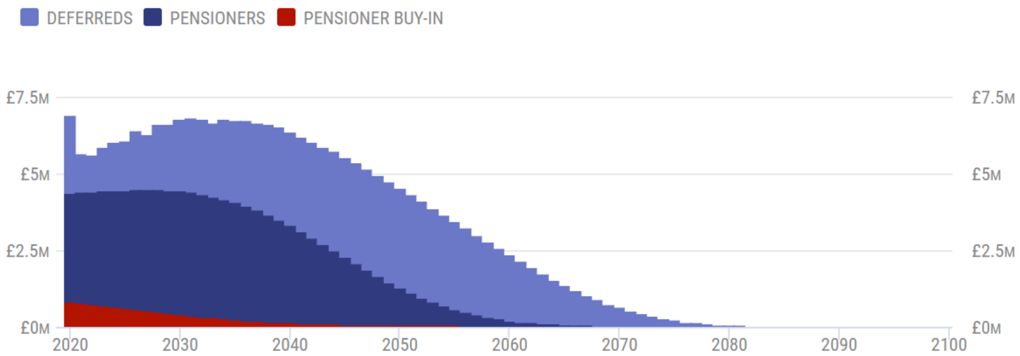
03 Scheme funding results

Projected benefit payments

2031

Projected peak of Scheme benefit payments

I have used the scheme funding assumptions to project the estimated benefits that will be paid to all members in respect of their entitlements at the valuation date. These projections are set out in the chart below and represent all cash payments expected to be made over the lifetime of the Plan.



2054

Last member assumed to retire

The Plan is made up of those members who have already retired (pensioner members) and those who have not yet retired (deferred members). A small portion of benefits due to pensioner members is covered by insurance contract (pension buy-in).

The last deferred member is assumed to retire in 2054, at which point the benefits of all members will be in payment.

The projected cashflows are calculated on the scheme funding assumptions and are therefore dependent on these assumptions being realised.

The level of benefits paid will depend on:

> the actual level of future inflation compared to that assumed (which affects increases to pensions in deferment and in payment).

The timing of the cashflows will be dependent on factors such as:

> how long members and dependants live compared to assumed,

> whether members take cash at retirement (it is assumed that 75% of members will take 25% of their pension as cash at retirement),

> whether members retire early or late (members are assumed to retire at the earliest age they are allowed to take some or all of their pension unreduced), and

> members transferring out their benefits from the Plan (which is not allowed for in the assumptions).

Scheme funding results
continued

£38.9m

Deficit at 1 May 2020

The funding position

The technical provisions are compared to the present value of the assets to give the funding position at the valuation date below. The corresponding results of the last valuation are shown for comparison purpose.

	As at 1 May 2017* £ms	As at 1 May 2020* £ms
Past service liabilities		
Deferred pensioners	94.4	85.5
Current pensioners	70.0	91.0
Insured pensioners	10.4	8.5
Total past service liabilities (L) ('Technical provisions')	**174.8**	**185.0**
Assets		
Total assets shown in accounts	130.8	137.6
Insured pensioners	10.4	8.4
Total assets (A)	**141.2**	**146.1**
Funding surplus / (deficit) (A minus L)	**(33.6)**	**(38.9)**
Funding level (A as a percentage of L)	**81%**	**79%**

*totals may not match due to rounding

As at 1 May 2020, the insured pensioners asset is different to the insured pensioners liability due to a GMP equalisation uplift being applied to the liability side only. The working assumption is that any GMP equalisation adjustment would not be covered by the existing insurance contracts, and hence creates a small additional liability in respect of the insured pensioners.

Scheme funding results
continued

Reconciliation with the results of the previous valuation

£5.3m

Increase in deficit over the valuation period

Since the last valuation there have been a number of events which have had a substantial impact on the Plan. These include:

> Covid-19 has caused major fluctuations in the financial markets, with gilt yields dropping to historic lows in February and March 2020. This resulted in greater value being placed on the Plan's liabilities due to lower discount rates.

> The referendum to leave the European Union and subsequent triggering of Article 50 have also contributed to the significant volatility in the markets, further placing value on the liabilities.

> New judgements around GMP (Guaranteed Minimum Pension) Equalisation since 2018 have added to the Plan's liabilities. Pension schemes are now required to pay equal benefits to men and women in relation to any service completed since 17 May 1990.

As a result, the funding position has deteriorated since the last valuation. The most significant influences on the funding position have been as follows:

> The changes in financial conditions underlying the actuarial assumptions used to value the liabilities have placed a significantly higher value on the liabilities and hence have increased the deficit.

> Returns on the Plan's investments were higher than expected, which partially offset the increase in the deficit.

> Contributions towards the deficit from the previous valuation as at 1 May 2017 have also partially offset the increase in the deficit.

The full reconciliation of the changes in the Plan's funding position since the valuation carried out as at 1 May 2017 is shown overleaf.

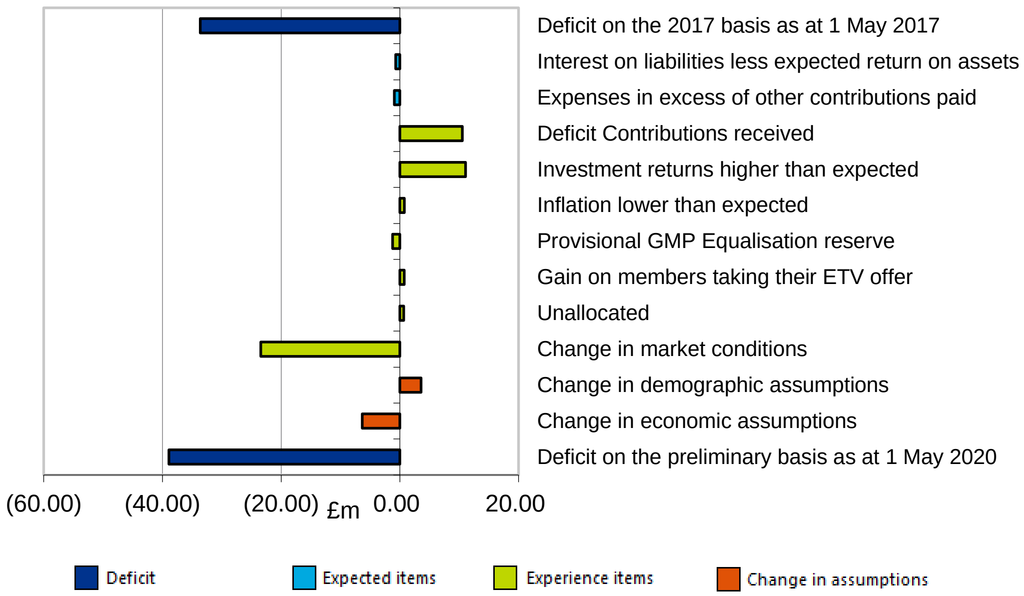
Scheme funding results
continued

£11.1m

Asset gain over the valuation period due to investments being higher than expected

£23.4m

Net increase in Plan liabilities over the valuation period due to changes in market conditions



Further information on the investment returns and the contributions paid in the period between the two valuations can be found in Appendix C.

Scheme funding results
continued

Developments since the effective date

Due to the financial impact of the Covid-19 pandemic, the valuation date of 1 May 2020 arguably occurred at a low point for investment markets. The funding position of the Plan has improved since the valuation date.

An estimate of the Plan's funding level as at 30 November 2020 is given below with the results of the formal actuarial valuation shown for comparison.

80%

Funding level at 30 November 2020

	Funding Position at 1 May 2020 £ms	**Funding Position at 30 November 2020 £ms**
Technical Provisions (L)	185.0	182.6
Value of Assets (A)	146.1	146.8
Surplus/(Shortfall) (A – L)	(38.9)	(35.8)
Funding Level (A / L)	79%	80%

I have been provided with an unaudited value of the Plan investments of £138.43m as at 30 November 2020 by the Plan's investment advisors, Mercer, and the value of the Trustee bank balance of £0.42m. This gives a total invested asset value for this funding update of £138.85m. In addition, the Plan's insured pensioners were valued at £7.99m, giving a total asset value at 30 November 2020 of £146.84m.

To estimate the technical provisions as at 30 November 2020, I have looked to my calculation of the technical provisions as at 1 May 2020 and make an approximate allowance for the impact of changes in the financial assumptions since that date. I have also taken account of for known benefit payments over the period. My estimate of the technical provisions as at 30 November 2020 may differ from the actual position disclosed if I were to carry out more detailed calculations. However I consider the approach adopted to be fit for purpose.

The Trustee's working assumption that the Employer covenant is tending to weak did not change.

Scheme funding results
continued

Addressing the deficit

The Trustee and the Employer have agreed that they will take account of post-valuation economic experience and material cashflows up to 30 November 2020 when setting the recovery plan. I have therefore certified the schedule of contributions taking into account the estimated (lower) deficit as at 30 November 2020 compared with the deficit calculated as at the valuation date.

In order to address the deficit, the Trustee and the Employer have revised the recovery plan. The aim of the recovery plan is for the deficit of £38.9m as at valuation date to be removed over a period of 9 years from the valuation date (taking into account positive post-valuation experience) through investment returns on existing assets and future contributions, it has been assumed that assets outperform the discount rate by 0.5% per annum, and that Employer contributions are paid at a rate of £3.182m per annum, payable in equal monthly instalments commencing from 1 May 2020, and increasing by 3% at each 1 May thereafter.

The recovery plan will be regularly monitored by the Trustee and will be reviewed at the time of the next valuation to ensure that it remains sufficient to address the funding shortfall.

All Plan expenses, including Pension Protection Fund ("PPF") levies, are met directly by separate Employer contributions in line with an annually estimated expense budget. Hence, I have not included an explicit expense reserve in my calculation.

Projected funding level to the next valuation

I have projected the funding position to 1 May 2023 when the next formal valuation of the Plan is due, when the funding position and future contributions are required to be reviewed again.

I have assumed that experience is in line with the assumptions as set out in the statement of funding principles and contributions will be in line with those paid since the valuation date and the newly agreed schedule of contributions. (For avoidance of doubt this projection does not take into account any positive post-valuation experience as described on page 11.)

The results of my estimated projection are shown in the table below.

	Valuation as at 1 May 2020	**Projection to 1 May 2023**
Ongoing funding level	79%	84%

My projection is for an improvement in the funding position. This projected improvement is principally due to the deficit reduction contributions due to be paid under the agreed recovery plan and asset outperformance.

If I were to allow for the positive post-valuation experience since the valuation date I would anticipate a higher funding position at 1 May 2023.

Scheme funding results
continued

In practice, the Plan is exposed to a number of risks as set out in the next section, which mean that the funding level at the next valuation date is uncertain.

Risk and prudence

Key Risks
There are a number of risks which might ultimately affect the Trustee's ability to pay benefits to members. Foremost among these are the risks relating to:

> Funding risks – if experience turns out to be less favourable than was assumed for the funding assessment, for example members living longer than assumed, inflation higher than assumed or legislation introduces unanticipated liabilities, additional contributions are likely to be required from the Employer.

> Employer covenant – the Employer may become less able to continue to make contributions or unwilling to support the Plan, therefore leading to a loss of long-term security.

> Investment risks – where future investment returns are below those assumed or there is an asset/liability mismatch where an increase in liabilities (e.g. from decrease in bond yields) is not matched by an increase in asset values.

Risk mitigation measures
The Trustee has taken a number of actions to mitigate the risks. These include:

> Funding - the assumptions used in the funding assessment have been chosen prudently, making it less likely that experience will turn out to be worse than assumed.

> Monitoring - regular updates are received by the Trustee to keep abreast of any changes in the Employer's covenant and the funding position.

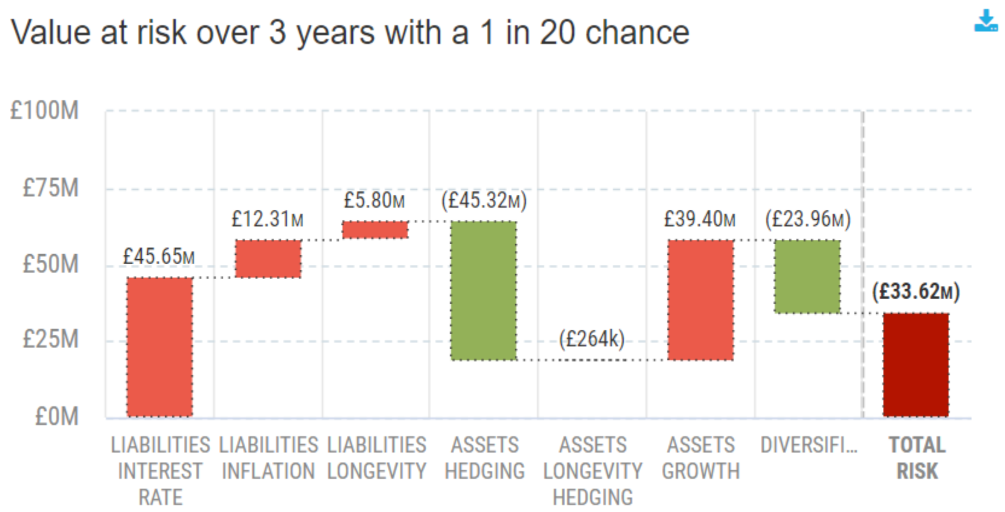
> Investment - the Trustee has invested some of the Plan assets in bonds and LDIs, resulting in the liabilities being partially hedged. Movements in the value of these assets act to partially offset movements in the technical provisions when bond yields change.

Scheme funding results
continued

£33.6m
Value at Risk over next 3 years

Value at risk
I have carried out a Value at Risk (VaR) analysis for the Plan. At 1 May 2020, the 95%, 3-year VaR is estimated to be £33.62m. This means that there is a 1 in 20 (5%) chance that the Plan's deficit could worsen over a 3-year period by £33.62m more than expected. It also shows that of the risks measured reduced asset growth and interest rate are the most significant, although the interest rate risk is largely offset by hedging on the assets.

Whilst the result is dependent on the model used, and therefore absolute values should be viewed as indicative only, this shows the approximate 1-in-20 downside scenario for the Plan's funding level. The model only allows for financial factors and longevity and does not cover all risks that the Plan is exposed to, such as take up of cash commutation and other demographic factors.

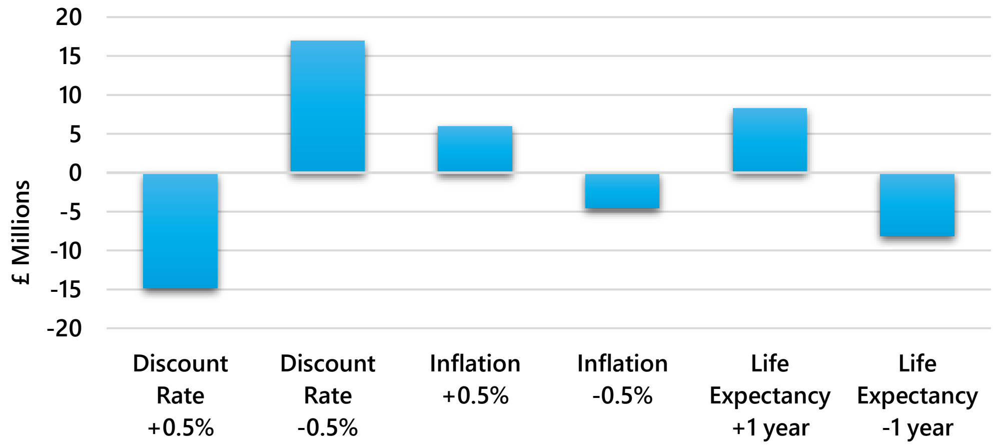


Scheme funding results
continued

Sensitivity to assumptions

To give an idea of the extent of some of the key risks, I set out below the sensitivity of the technical provisions to some of the key assumptions. These show the impact on the technical provisions of changing each assumption in isolation. Please note that these calculations are approximate and intended for illustration only.

Impact of change in assumptions on technical provisions



Level of prudence in funding results

The assumptions used in calculating the technical provisions must be chosen prudently, usually including an appropriate margin for adverse deviation.

Prudence has been allowed for in the technical provisions by incorporating explicit margins to the discount rate and long term rate of mortality improvements assumptions. Under a best estimate set of assumptions, my view is that it might be appropriate to use a discount rate both pre and post retirement of gilts +2.2%, which is in line with the Plan's current expected return on assets, and a long term rate of mortality improvements of 1%. Were the technical provisions to be calculated in line with this best estimate basis, they would reduce by approximately £40m.

04 **Solvency assessment**

Background

I am required to assess the winding-up or "solvency" position of the Plan, assuming that it ceases at the valuation date, where all benefits would be secured by the purchase of insurance policies. This differs from the scheme funding valuation, which assumes that the Plan operates until its last member dies.

Methodology

The only accurate way to assess the true cost of winding up would be to obtain quotations from a number of insurance companies. I have not done this, but instead have estimated the cost using assumptions that have been derived with reference to general pricing information received from insurers.

Clearly, this approach will not be as accurate as obtaining actual quotations, but I am satisfied that it is sufficient for the present purpose. An actual wind-up, at a different date, could have a significantly different funding position and would depend on investment market conditions and the terms available from insurance companies at the date of securing benefits or obtaining a firm quotation.

While it is difficult to say if my estimate is prudent relative to buy-out terms which might have been available at the valuation date, I have not added explicit margins for prudence. Full details of the assumptions used are set out in Appendix D.

The solvency valuation is also my statutory estimate of the Plan as required under section 7 of the Occupational Pension Scheme (Scheme Funding) Regulations 2005 and I have set the assumptions for the estimate based on the principles set out above.

Solvency assessment
continued

£90.2m

Estimated Solvency deficit at 1 May 2020

Results

A breakdown of the solvency assessment results at the 2020 and 2017 valuation dates (for comparison) is set out below.

	Solvency Assessment as at 1 May 2017 £ms	**Solvency Assessment as at 1 May 2020** £ms
Solvency liabilities		
Deferred pensioners	151.7	128.3
Current pensioners	81.6	96.9
Insured pensioners	11.7	9.0
Solvency and payment expenses	1.0	2.6
Total Solvency liabilities (L)	**246.0**	**236.8**
Assets		
Total assets shown in accounts	130.8	137.6
Insured pensioners	11.7	9.0
Total assets (A)	**142.5**	**146.6**
Solvency surplus / (deficit) (A minus L)	**(103.5)**	**(90.2)**
Solvency funding level (A as a percentage of L)	**58%**	**62%**

Comparison to scheme funding results

The funding level on the solvency basis is much lower than the Plan funding basis set out in Section 3 of this report. This is due to the different assumptions used to reflect the difference between the anticipated cost of providing the benefits from the Plan on an ongoing basis and the cost of securing those benefits through the purchase of insurance policies.

The cost of winding-up the Plan is larger than the expected cost of running the Plan on an ongoing basis, due principally, to the more conservative assumptions insurers are required to adopt and the profit margins expected to be targeted by the insurance market.

Solvency assessment
continued

Projected Solvency funding level to the next valuation

The method and approach taken to projecting the estimated solvency funding level to the next valuation is the same as that used for the projection of the scheme funding level as set out in the 'projected funding level to the next valuation' section on page 12.

Projected results

The results of my projection of the solvency funding position are as follows.

	Valuation as at 1 May 2020	Projection to 1 May 2023
Solvency funding level	62%	68%

I would expect that the estimated solvency funding level would have improved by the date of the next valuation if the assumptions as set out in the statement of funding principles are borne out in practice and insurance pricing remains unchanged. This is largely because of the substantial deficit reduction contributions due to be paid in line with the recovery plan and that investments are expected to achieve a return in excess of the discount rate used to value benefits on a solvency basis.

Effect on member's benefits

If the Plan had begun winding up as at 1 May 2020, and the Employer was unable to pay all of the Employer's wind-up debt due to insolvency (i.e. the difference between the assets and the liabilities on the solvency basis), then the Plan would normally be eligible to enter the PPF Pension Protection Fund ("PPF"). In this situation, members' benefits would be reduced to the compensation levels paid by the PPF.

The "compensation" paid by the PPF is based on the benefits accrued by each member within their own pension scheme, but with some adjustments. For example:

> Members yet to reach their Normal Pension Age have their benefits reduced by 10% and restricted so that they are no greater than a cap set by the PPF.

> No increases are applied to pension accrued before April 1997.

> Increases to pension accrued after April 1997 are limited to a maximum of 2.5% each year (or the increase in the Consumer Prices Index if lower).

05 **Next steps**

Next steps

The signing of this document, the statement of funding principles, the recovery plan and the schedule of contributions concludes the valuation formalities. The statement of funding principles, the recovery plan and the schedule of contributions were agreed and signed by the Trustee and the Employer on 22 December 2020. Details of the valuation were submitted to TPR on 6 January 2021 on behalf of the Trustee.

Between now and the next valuation

The next valuation is due on 1 May 2023. Between now and then, I will provide the statutory annual reports to the Trustee, setting out how the funding position has evolved and the key reasons for any changes.

These reports, along with regular reviews of the Employer's covenant, will enable the Trustee to monitor the funding of the Plan. If it appears to the Trustee that the recovery plan is no longer likely to meet the funding objective, the Trustee should review their integrated risk management plan to consider what remedial actions might be taken.

Signature

H. R. Webster

Date

January 2021

Name

Heidi Webster
Scheme Actuary

Qualification

Fellow of the Institute
and Faculty of Actuaries

Address

Phoenix House
1 Station Road
Reading
Berkshire
RG1 1NB

Employer

XPS Pensions Consulting Limited

Appendix A
Plan benefits

The Plan benefits are described in the Plan's definitive trust deed and rules dated 1 October 2012 and subsequent amending deeds and announcements for the Plan. A summary of the benefits is set out in the members' booklet.

The Plan was closed to new members with effect from 1 May 2007 and to accrual of new benefits on and from 1 May 2007, although members in service on 1 May 2007 retained a salary link to their benefit entitlements but with an underpin equal to the benefit based on their 1 May 2007 Final Pensionable salary plus revaluations to their actual date of leaving active service, or to 1 May 2011 for those still in employment at that date. With effect from 1 May 2011, this salary link was broken, and these members became deferred members.

Equalisation

The Plan appears to comply with the main equal treatment requirements of the European Court, as far as these are known, and the valuation has been prepared on this basis. I have assumed that these requirements have been validly incorporated in the trust deed and rules and the benefits supplied by the administrators reflect the rules.

The Lloyds judgement of October 2018 ruled that benefits should be adjusted to compensate for inequalities arising from unequal GMPs between men and women. An allowance of 0.8% of the value of the liabilities has been made for this as part of this valuation. Further information can be found in our report to the Employer, "Estimating the Potential Impact of GMP equalisation", dated 21 October 2020.

A further judgement in November 2020 has ruled that members who have previously transferred out will need their transfer values revisited and potentially topped up to the extent they should have been higher in the first place had GMPs been equalised. This is expected to increase the Plan's liabilities. Given the timing of the judgement, I have made no allowance for this in the valuation.

Discretionary practice

There has been no recent history of discretionary increases or discretionary benefits being awarded under the Plan. In line with this past practice, I have therefore made no allowance in the valuation for discretionary increases or benefits being granted in future.

Plan and legislative developments since the 2017 valuation

There have been no amending deeds implemented since the 2017 valuation. Any changes that are material to the valuation are covered above.

Appendix B
Membership data

1,452

Total Plan membership at current valuation date

1,662

Total Plan membership at previous valuation date

I have been provided with the deferred and pensioner membership data as at 1 May 2020 by the XPS administration team. I have also been provided with the insured membership data from the various providers. I have performed a number of checks on the data and I am satisfied that it is sufficiently accurate for the purposes of this valuation. A summary of the data is set out below.

Deferred members	**1 May 2017**	**1 May 2020**
Number	919	741
Total annual pension at date of leaving (£000s)	2,131	1,429
Average age*	55	55

Pensioner members	**1 May 2017**	**1 May 2020**
Number	609	598
Total annual pension (£000s)	2,923	3,563
Average age*	69	70

Insured Pensioner members	**1 May 2017**	**1 May 2020**
Number	134	113
Total annual pension (£000s)	911	834
Average age*	78	79

* Average ages are weighted by liability.

Appendix C
Assets and investment strategy

Assets held at the valuation date

I have taken the value of the Plan's assets from the Trustee's audited Report and Accounts as at 1 May 2020. The accounts state that at that date, the Plan had invested assets of £135.75m (excluding AVCs). The following chart illustrates how those assets were invested.

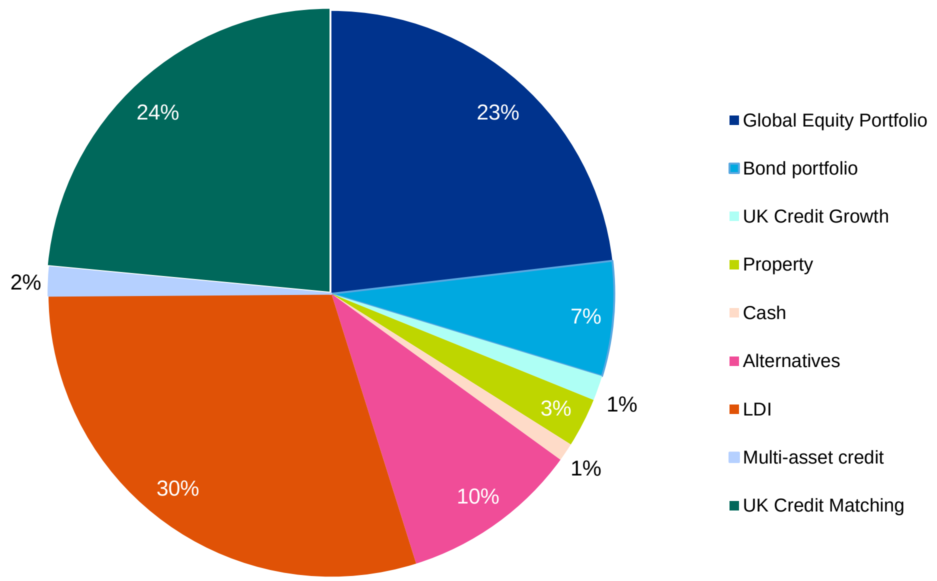
Distribution of Invested Assets as at 1 May 2020

46%

Benchmark allocation to return seeking assets

54%

Benchmark allocation to matching assets



In addition to the assets set out above, the accounts show that there were net current assets. This gives a total asset value (excluding AVCs) for use in my assessment, as follows.

	Assets as at 1 May 2017 £ms	Assets as at 1 May 2020* £ms
Invested assets (excluding AVCs)	129.8	135.8
Net current asset / (liability)	1.0	1.9
Total available assets	130.8	137.6

*totals do not match due to rounding

Assets and investment strategy
continued

A number of Plan pensions are paid from annuity policies held in the name of the Trustee. In the valuation calculations, I have first set the value of the annuity policies equal to the corresponding liability. I have then added a GMP equalisation uplift to the insured liability, but not the insured asset, as explained on page 8.

Investment strategy

The assets held at the effective date of the valuation broadly reflected the Trustee's investment strategy, as set out in the Trustee's statement of investment principles dated August 2020. The split of assets between growth and matching portfolios is managed according to a de-risking strategy whereby assets are expected to be moved from the growth portfolio to the matching portfolio as the funding level increases. The Plan's target split at the valuation date is 47% in growth assets and 53% in matching assets. The key decision in the investment strategy was to seek a long term solution to 'de-risk' the Plan's assets relative to its liabilities over time.

As part of the matching fund, the Plan has liability hedging in place. This aims to ensure that adverse movements in the Plan's liabilities due to changes in interest rates and inflation expectations are matched by corresponding movements in the value of the Plan's assets.

6.2%

Actual average return on Plan investments over the valuation period

3.65%

Assumed return on Plan investments over the valuation period

Investment returns

The scheme funding assumptions adopted for the 1 May 2017 actuarial valuation was that the Plan assets would outperform the liabilities by 0.5% per annum. This means fund assets were assumed to grow on average by 3.65% per annum over the valuation period, i.e. the weighted average of the pre and post retirement discount rates +0.5%. The returns achieved on the Plan's assets during the period were 6.2% per annum.

Contributions paid to the Plan

The Employer paid £9.0m to the Plan over the valuation period in order to help remove the Plan's deficit. In addition, the Employer paid contributions of £1.5m in respect of expenses that were paid from the Plan.

Assets and investment strategy
continued

£10.5m

Total contributions paid by the Employer the over the valuation period in respect of DRCs and expenses

£1.1m

Total contributions paid in relation to Employer's full buyout payments

The contributions actually paid between the 2017 and 2020 valuations were as follows.

Year Ending	Employer Deficit Reduction Contributions £ms	Participating Employers' Full Buy Out Payments £ms	Employer Expense Contributions £ms	Total Contributions £ms
1 May 2018	2.9	0.9	0.5	4.3
1 May 2019	3.0	0.1	0.5	3.7
1 May 2020	3.1	-	0.5	3.6
Total	9.0	1.1	1.5	11.6

Appendix D
Summary of key assumptions

Key financial assumptions – scheme funding basis

Rates per annum	As at 1 May 2017	As at 1 May 2020
Discount rate before retirement	3.75%	2.59%
Discount rate after retirement	2.25%	1.09%
Future price inflation (RPI)	3.40%	3.00%
Future price inflation (CPI)	2.90%	2.50%

Pension increase assumptions – scheme funding basis

Rates per annum	As at 1 May 2017	As at 1 May 2020
Revaluation of deferred pensions before retirement: Deferred revaluation - CPI max 5%	 2.90%	 2.50%
Pension increases in payment: RPI max 5% min 3% RPI max 5%	 3.60% 3.35%	 3.40% 2.99%

Demographic assumptions – scheme funding basis

	As at 1 May 2017	As at 1 May 2020
Base table	SAPS S2PxA	SAPS S3PxA
Adjustment to base table	100% for males and females	100% for males and females
Projection	CMI 2016 1.5% long term improvement	CMI 2019 1.5% long term improvement No initial addition
Commutation	75% of members commute 25% of their pension based on terms applicable at the valuation date	75% of members commute 25% of their pension based on terms applicable at the valuation date
Retirement	All members are assumed to retire at the earliest age at which they are entitled to all or part of their pension unreduced	

A description of all the assumptions including their derivation for the scheme funding assumptions is included in the statement of funding principles.

Summary of key assumptions
continued

Key financial assumptions – Solvency basis

	As at 1 May 2017	As at 1 May 2020
Discount rate before retirement	0.70%	BoE Gilt Curve +0.25%
Discount rate after retirement for non-pensioners	1.36%	BoE Gilt Curve - 0.35%
Discount rate after retirement for pensioners	1.40%	BoE Gilt Curve - 0.35%
Future price inflation (RPI)	3.32%	Swap RPI Inflation Curve
Future price inflation (CPI)	2.82%	RPI - 0.5%

Pension increase assumptions – Solvency basis

	As at 1 May 2017	As at 1 May 2020
Revaluation of deferred pensions before retirement: Deferred revaluation - CPI max 5%	 2.82%	 RPI - 0.5% capped at 5%
Pension increases in payment: RPI max 5% min 3% RPI max 5%	 3.57% 3.30%	 RiskFirst LPI5min3 swap curve RiskFirst LPI5 swap curve

Demographic assumptions – Solvency basis

	As at 1 May 2017	As at 1 May 2020
Base table	SAPS S2PxA	SAPS S3PxA
Adjustment to base table	100% for males and females	100% for males and females
Projection	CMI 2014 1.5% (M) and 1.25% (F) long term improvement	CMI 2019 1.50% (M) and 1.25% (F) long term improvement
Commutation	No allowance	No allowance
Retirement	All members are assumed to retire at the earliest age at which they are entitled to all or part of their pension unreduced	

Appendix E
Documents and certificates

Actuary's certificate of the calculation of technical provisions

Name of Plan: The YMCA Pension and Assurance Plan

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Plan's technical provisions as at 1 May 2020 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustees of the Scheme and set out in the statement of funding principles dated 22 December 2020.

H. R. Webster .... 27th January 2021

Heidi Webster
Fellow of the Institute and Faculty of Actuaries
XPS Pensions
Phoenix House
1 Station Hill
Reading
Berkshire
RG1 1NB

Contact us
xpsgroup.com

Registration

XPS Pensions Consulting Limited, Registered No. 2459442.

XPS Investment Limited, Registered No. 6242672.

XPS Pensions Limited, Registered No. 3842603.

XPS Administration Limited, Registered No. 9428346.

XPS Pensions (RL) Limited, Registered No. 5817049.

XPS Pensions (Trigon) Limited, Registered No. 12085392.

All registered at: Phoenix House, 1 Station Hill, Reading, RG1 1NB.

Authorisation

XPS Investment Limited is authorised and regulated by the Financial Conduct Authority for investment and general insurance business (FCA Register No. 528774).