PENSION DISCLOSURES REQUIRED: Suggested Wordings for 2022
Updated March 2022

Introduction:

Under accounting standards you are required to make a provision for any **contractual obligation** to make a payment to a third party as at the balance sheet date.

This means that the obligation to make future pension deficit payments will be recognised as a liability on the balance sheet (as creditors due within one year and more than one year as appropriate). Please note that the liability in question relates to the contractual arrangement to recover the pension scheme deficit over time, as the expense element will still be shown as an expense for the year. The invoices issued by the YMCA Pension Plan separate these figures.

For simplicity the following examples assume a March yearend. Any references to March 2022 will apply equally to December 2021 yearends. The issue will be that the pension deficit contributions change on 1 May annually so you will have part of the year at one rate and part at the new rate.

As you will be aware, the contributions required from Participating Employers are calculated by the scheme actuary every 3 years. As previously advised to participating employers, the pension deficit contributions for 2022-23 have been reallocated based on the membership profile at the triennial valuation date of 30 April 2020. **Therefore most associations will see a change in their annual payments**. In the intervening periods these revised contributions are escalated by 3%.

When calculating the contractual liability, payments due in future years should be discounted at an equivalent Corporate or Government Bond rate. Depending on materiality, it may be acceptable to use a discount rate of 3% to offset the escalating rate of contributions but this will need to be discussed with your auditors.

Associations should already have a liability on the balance sheet for 8 years of the 2020-21 pension deficit payments. This will be reduced by one year to reflect the payments made during the year.
The closing balance will thus be 7 years of the 2022-23 pension deficit payments discounted to present value. The discount rate can vary from one year to the next which is liable to create a small adjustment which will need to be charged (or credited) to the I&E a/c as it arises.

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To summarise the entries will be:

1) The existing provision as at **March 2021** of 8 years of discounted future pension deficit payments @ 2020-21 rate, should be reduced by the actual deficit payments made in the year.

2) The provision at **March 2022** to be 7 years of discounted future pension deficit payments @ 2022-23 rate. The YMCA Pension Plan contacts each participating employer in April each year to advise of these new rates.

3) Any change in the discounted future payments at the new rate to be shown as a charge to the I&E account.

4) As noted above the expenses element is a charge to the I&E account in the year.

Indicative disclosures:

It is suggested that YMCAs include the following notes in their accounts. YMCAs will need to discuss specific wording with their own auditors.

The suggested wording reflects the current scheme valuation and will change in the future.

Accounting policy:
<<YMCA>> participated in a multi-employer defined benefit pension plan for employees of YMCAs in England, Scotland and Wales, which was closed to new members and accruals on 30 April 2007. Due to insufficient information, the plan's actuary has advised that it is not possible to separately identify the assets and liabilities relating to <<YMCA>>.

As described in note xx <<YMCA>> has a contractual obligation to make pension deficit payments of £xx pa over the period to April 2029 (2021: £xx pa), accordingly this is shown as a liability in these accounts. In addition, <<YMCA>> is required to contribute £xx pa (2021: £xx pa) to the operating expenses of the Pension Plan and these costs are charged to the Statement of Comprehensive Income as made.

Pension Note:
<<YMCA>> participated in a contributory pension plan providing defined benefits based on final pensionable pay for employees of YMCAs in England, Scotland and Wales. The assets of the YMCA Pension Plan are held separately from those of <<YMCA>> and at the year end these were invested in the Mercer Dynamic De-risking Solution, 63% matching portfolio and 37% in the growth portfolio and Schroder (property units only).

The most recent completed three year valuation was as at 1 May 2020. The assumptions used which have the most significant effect on the results of the valuation are those relating to the assumed rates of return on assets held before and after retirement of 2.59% and 1.09% respectively, the increase in pensions in payment of 2.99% (for RPI capped at 5% p.a.), and the average life expectancy from normal retirement age (of 65) for a current male pensioner of 22.0 years, female 24.4 years, and 23.7 years for a male pensioner, female 26.1 years, retiring in 20 years' time. The result of the valuation showed that the actuarial value of the assets was £146.1m, which represented 79% of the benefits that had accrued to members.

The Pension Plan was closed to new members and future service accrual with effect from 30 April 2007. With the removal of the salary linkage for benefits all employed deferred members became deferred members as from 1 May 2011.

The valuation prepared as at 1 May 2020 showed that the YMCA Pension Plan had a deficit of £39 million. <<YMCA>> has been advised that it will need to make monthly contributions of £xx from 1 May 2022. This amount is based on the current actuarial assumptions (as outlined above) and may vary in the future as a result of actual performance of the Pension Plan. Agreed future deficit contributions have been discounted using a rate of 3% (2021: 3%). The current recovery period is 7 years commencing 1st May 2022.

		Repayable					
	Within one year £'000	One to two years £'000	Two to five years £'000	After five years £'000	After more than one year £'000	TOTAL 2022 £'000	TOTAL 2021 £'000
As at 31 March 2022	xx	xx	xxx	Xxx	xxxx	xxxx	
As at 31 March 2021	xx	xx	xxx	Xxx	xxxx		Xxxx

In addition, <<YMCA>> may have over time liabilities in the event of the non-payment by other participating YMCAs of their share of the YMCA Pension Plan's deficit. It is not possible currently to quantify the potential amount that <<YMCA>> may be called upon to pay in the future.

Trustees Report

The Charity Commission encourage trustees to use the Trustees' Annual Report (TAR) to highlight any impact of a material pension liability, including an explanation which demonstrates that the issue has been recognised and that appropriate action is being taken. This has become even more important with the impact on finances arising from the pandemic.

In addition, it is suggested that YMCAs include in the Annual Report a note such as the following. YMCAs will need to consider the wording themselves and discuss the specific wording with their own auditors.

> <<YMCA>> recognises possible concern relating to its participation in a defined benefit pension scheme. Appropriate action has been taken: The scheme was closed to new members in 2007, and the link to final salary broken in 2011. Additional contributions continue to be made to reduce the deficit. As part of the YMCA federation, the multi-employer scheme is run by an independent board of trustees with employer representation through the Principal Employer, National Council of YMCAs. The pension scheme trustees obtain an actuarial valuation every three years and we have considered the implications to the charity's finances from the latest available actuarial valuation. We have reviewed the charity's ability to continue to deliver its charitable objectives by ensuring budgets, forecasts and plans are available and include the impact of deficit repayments. The trustees included the impact of pension scheme deficit repayments in considering going concern status, reserves, and the risks and uncertainties that the charity face noted elsewhere in this Report.
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> <<YMCA>> benefits from the pension scheme trustees and the Principal Employer seeking suitable specialist profession advice both to manage the scheme and in the continuing effort to explore ways of reducing the overall pension deficit. The notes to the Accounts include an accounting policy and further details in note <<n>>.

Where the pension deficit is not considered material, an alternative is to specifically state that opinion in the TAR.

Relevant Charity Commission guidance

The below guidance provides further details that may be helpful:

Charity reporting and accounting: the essentials (CC15b)

CC26, Charities and risk management

Charities' FRS 102 SORP

Guidance to help with running your charity during the coronavirus (COVID-19) outbreak

Manage financial difficulties in your charity caused by coronavirus