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YMCA Pension & Assurance Plan

Members' Annual Newsletter

Spring 2022

Introduction

Welcome to the Annual Newsletter which aims to provide members with an informative update on the Plan and current pension issues.

We hope that you, your family and friends are keeping safe and well in these uncertain times.

For almost two years now the Plan has been operating under the restrictions of Covid-19. We are pleased to report that the Plan has continued to operate effectively. We and our advisers have all been working remotely from home and connecting by video conferencing. We thank everyone for ensuring that there have been no interruptions to normal operations and that member service has continued at a high level.

These are busy times in pensions and 2021 was no exception with a new Pensions Act bringing in enhanced governance and risk management

requirements to be introduced in the next few years, and with ongoing technical activity to deal with GMP rectification and equalisation. Encouragingly, investment returns improved strongly from the uncertain and volatile situation in 2020, strengthening the security of your benefits.

We encourage you to ask any questions about your benefits, or the Plan's operations – contact details are given at the end of this newsletter – you can access information easily online. Also, we ask that you inform us of any change to your address – this avoids complications when benefits have to be paid.

We hope that you find this newsletter helpful but we welcome any suggestions on its content and how well it meets your preferences.



Security of Your Benefits – Funding Position

We provide an update of the funding position each year.

A COMPARISON OF THE FUNDING POSITIONS	1 MAY 2021	1 MAY 2020 (adjusted – 30/11/2020)	1 MAY 2020	1 MAY 2019	1 MAY 2018	1 MAY 2017
Assets	£145.8m	£146.8m	£146.1m	£144.8m	£140.9m	£141.2m
Amount needed to provide benefits (on an ongoing basis)	£168.6m	£182.6m	£185.0m	£174.2m	£168.5m	£174.8m
Deficit (ongoing)	(£22.8m)	(£35.8m)	(£38.9m)	(£29.4m)	(£27.6m)	(£33.6m)
Funding level	86%	80%	79%	83%	84%	81%

Winding-up solvency

For information, the estimated amount needed, in addition to the existing Plan assets, to ensure that all member's benefits could have been secured in full with an insurance company if the Plan had been wound up as at 1 May 2021 was around £65 million – the benefits would be approximately 63% funded.

This information is formally required to be included in triennial actuarial valuations and annual funding updates – its inclusion here does not imply that the Trustee is thinking of winding-up the Plan.

Employer contributions

From 1 May 2021 participating employers are making aggregate contributions of approximately £3.25 million a year towards the deficit. In addition, they are also making annual contributions towards the expenses of the Plan.

No payments to any YMCA

We have to tell you if there have been any payments made to any YMCA out of the Plan's assets since the last summary funding update – there have not been any.

Actuarial reports

These are available on the Plan's Website.

Investments

The Plan's assets are invested through Mercer, the appointed investment manager, in a range of investments providing a balance between overall "growth", looking to achieve returns greater than the increase in liabilities (equities, property and bonds) and "matching", looking to mirror the expected benefit cashflows and so match the liabilities (bonds and gilts). The investments are highly diversified across multiple markets and funds to avoid the risks of over concentration.

The proportion of assets in "growth" assets has been gradually reduced as the Plan's funding position has improved, reducing risk. Currently the allocation is 37% "growth" and 63% "matching".

After a turbulent 2020 as a result of the uncertainty of the impact of Covid 19 on society and business investment markets returns improved notably in 2021, enhancing the funding position. Over the 3-year period to 31 December 2021 the Plan's assets achieved an annual return of 8.9% compared to the annualised rate of increase in liabilities of 6.2%.

The investment strategy of the Plan is recorded in the Plan's Statement of Investment Principles (SIP). The Trustee has adopted a policy in relation to Responsible Investment and the Ethical, Social and Governance (ESG) considerations for its investment managers. This is included in the SIP which can be found on the Plan's Website.

The Investment Sub-committee reviews the Plan's assets on a quarterly basis and reports to the Trustee at each Trustee meeting.

Your benefits and choices

Your benefits under the Plan are important and valuable. We encourage you to be aware of what you might receive on retirement and the choices that you have. Like last year we are enclosing a letter to **our deferred members (i.e. members of the Plan not yet receiving a pension)**. This is to remind them of and set out in more detail the options that they have in relation to the benefits that they have built up in the Plan such as either to take a pension, exchange part of a pension for a tax-free lump sum subject to HMRC limits or transferring to an alternative arrangement.

You can find out about your benefits on Compendia (recently upgraded) if you are a Deferred Member. If you have additional questions, please contact the Plan Administrator, XPS (contact details are given at the end of this newsletter).

Updated cash commutation and early retirement factors

The Trustee regularly reviews with the Plan Actuary the terms on which members may convert part of their pension into a tax-free cash sum, referred to as commutation, taking into account investment conditions and market practice. Following a recent review, the cash commutation factors have been improved for members.

Also, when a member retires before their Normal Retirement Date, their pension is reduced to allow for it being paid over a longer period. Following the recent review, the rate of reduction for each year retiring early has been made smaller, allowing members to receive a greater proportion of the pension that would have been payable from Normal Retirement Date.

Pensions fraud and scams

During the pandemic fraudsters have increased their activity, exploiting higher levels of concern that people may have about their financial situation. Of particular concern are organisations that claim they can give you access to your pension by giving you cash from your pension fund before you reach the minimum age for early retirement. This is achieved by persuading you to transfer your pension out of the Plan into an arrangement set up by them, often overseas, which can lead to theft of funds and tax charges.

On behalf of the Trustee, the Plan's Administrator checks with Members who wish to transfer benefits out of the Plan – usually a telephone call with the Member to verify certain information – but we encourage you to be very careful and take advice where appropriate.

There are useful websites that can help you protect yourself:

www.fca.org.uk/scamsmart

www.thepensionsregulator.gov.uk/en/pension-scams

www.moneyhelper.org.uk/en/contact-us/pensions-guidance

There has also been a change in the law relating to paying statutory transfers. Details of the changes are covered later in this newsletter.

GMP – Rectification and Equalisation

Part of your pension is a Guaranteed Minimum Pension (GMP). The Plan was contracted out of the State earnings-related pension scheme for a period and the GMP replaces part of the State pension that you did not accrue.

There were significant issues with the accuracy of the information that the State system held on GMPs; often only small differences. All contracted-out pension plans have had to go through an extensive

exercise to reconcile and correct GMP records with the State. This **rectification** exercise is now largely complete for the Plan and the GMP records are finalised.

Back in 1990 it was confirmed that men and women had to be treated equally under pension arrangements and pension schemes have sought to ensure this since. However, one key area of uncertainty was how this affected GMPs. This was resolved in a court case in late 2018, with subsequent legal clarifications as to how **equalisation** may be achieved. Accordingly, the pension industry is now working on making the necessary changes to the payment of GMPs to ensure equal treatment of men and women. This is a very complex issue, involving comparing benefits for each member as a man and then as a woman. It involves going back in time through payments already made, including transfer values, as well as setting up procedures for the future.

This is a large, complex project for our Plan's Administrators to manage at a time when many pension schemes are looking to do the same. It is likely to take over a year to complete but when it is finalised all members will have received the correct benefit from the past, and will receive the correct benefits going forward, in accordance with the legislation.

Minimum retirement age

The Government has indicated that the minimum legal retirement age will increase from 55 to 57 by 2028 to coincide with the increase in State Pension Age to 67.

This change will affect anyone who may be planning to retire from age 55 once the new legislation is implemented.

New Legislation

– The Pensions Schemes Act 2021

A new Pensions Schemes Act came into force in 2021, although some elements are still to be clarified.

The main themes are to improve governance, i.e. how pension schemes are run. This will involve increased focus on:

- ▶ a clearly articulated long-term strategy for the funding, investment and security of each scheme
- ▶ security of funding, including careful assessment of the ability of employers to fund
- ▶ integrated investment and funding planning
- ▶ enhanced risk management
- ▶ managing, and reporting on, climate related risks
- ▶ enhanced governance
- ▶ improved information about pension for members

The Plan's operations already include a number of the principles and requirements but the Trustees will work through a development programme with our advisers to fully understand and adopt the new obligations and procedures. A number of details remain to be clarified and the Government is looking for occupational pension schemes, like the Plan, to meet the new requirements over the next few years.

A key issue for you as members is **transfers**. In certain circumstances, Deferred Members have a statutory right to transfer their benefits out of the Plan to another registered pension scheme. Whilst the Trustee has for some time now been completing due diligence and warning members about pension scams before paying transfers (see "Pension fraud and scams" earlier in this newsletter), the statutory right to transfer out has meant that a Deferred Member could insist on the Trustee paying a transfer value even if scam warnings were present.

However, on 30 November 2021 the law changed and the Trustee is now required to only pay a transfer out of the Plan if certain conditions are met. This will require the Trustee to check whether there are any warning signs of potential pension scams, referred to as "red" or "amber" flags. The Plan Administrator will assist the Trustee with identifying red and amber flags.

If there are any red flags identified, the Trustee is not allowed to pay the transfer.

If there are any amber flags identified, the Trustee will only be allowed to pay the transfer if the Deferred Member takes pension scams guidance from MoneyHelper and provides the Trustee with evidence that they have spoken to MoneyHelper.

More detail on the process that the Plan Administrator will go through when a Deferred Member requests a statutory transfer can be found on the Pension Plan Website.

Another key issue for you as a member is the **Pensions Dashboard** the Government is looking to arrange for all pension scheme members whose pension is not yet being paid to have access to secure, comprehensive online information on all of their pensions in one place. This will be clearly presented in easily understood terms and will include the ability to illustrate expected pension income at different dates. It will also include objective guidance and signposting to sources of regulated advice.

This should be a great benefit to many and help people make informed decisions about their pensions.

The systems are being developed and tested by the Government and the pensions industry. A phased roll out is expected to start in the next year but it is likely to be a year or two later before the Plan will be expected to participate, providing detailed member data when required.

You may start to see public announcements about pensions dashboards in the coming year – we will update you on how the Plan will support the project in future newsletters.

Enhanced Transfer Value Exercise (Etv) – Phase 2

In 2019 all Deferred Members were given an opportunity to take advantage of the HMRC flexibility over how to draw their retirement benefits, by transferring their benefits to alternative arrangements. An enhanced transfer value was offered – this did not weaken the Plan's overall funding but reduced the long-term risks and costs.

A number of Members were not able to participate in the ETV exercise because HMRC was not able to confirm some details of their GMPs (see above), or their contact details were out of date. The Plan Administrator has now managed to resolve these matters and these Members are being invited to participate in the second phase of the ETV exercise in the next few months.

Pension Trustee

The Trustee employs two people to oversee and manage the Plan's operations and advisers - Gwynne Jarvis, the Secretary, and Caroline Evans.

The Pension Trustee meets quarterly. A full list of Trustee Directors can be found in the Plan's accounts.

The Trustee is responsible for the effective operation of the Plan. It has the following sub-committees:

The Investment sub-committee which reviews the investment strategy and monitors the performance of the investment manager.

The Covenant Review sub-committee which works with the Principal Employer, YMCA England & Wales, to monitor the financial strength of the participating employer YMCAs and reviews the legal and financial requirements for any relevant corporate changes at those YMCAs.

Also, it has a comprehensive risk management process with all key risks being evaluated and managed on a regular basis.

Annual Pension Plan Accounts

The annual accounts for the Plan year ended 30 April 2021 are available on the Plan website and can be found under the Member section.

General

Deferred Member Online Access – Compendia web portal

All Deferred Members should have received letters confirming their unique username and password to access the recently upgraded Compendia website, www.xpsonline.co.uk

If you have difficulty in accessing the Compendia website, you can contact the Compendia Helpdesk directly CompendiaHelpdesk@XPSgroup.com

Feedback with regard to your user experience would be helpful and will be passed to XPS to enable them to make any necessary adjustments.

Deferred Members with no internet access to the Pension Plan Website

For members who do not have internet access or are unable to open a PDF document, please contact XPS for a hard copy of any document you may wish to view.

IDRP

The Plan's Internal Dispute Resolution Procedure has been updated from a three-stage to a two-stage process to allow for quicker resolution of disputes. Details can be obtained from XPS or Gwynne Jarvis.

Change of contact details – don't lose your pension! And are you a pensioner living overseas?

Should you change your contact address, please notify XPS who will require your date of birth and national insurance number to help with identity checks, to ensure that you continue to receive correspondence and details of any future benefits due to you. This is particularly important if you live abroad because it can be very difficult to trace you if we lose touch with you.

Are you over 65 and not yet drawing your retirement benefits?

If you are and would like to see what your Plan pension could be if you retire now and how things will change if you continue to postpone, please contact XPS or check on Compendia. Please note that previous retirement illustrations can become outdated due to market conditions and it is possible that old figures may overstate your present position – you should obtain up to date information before making any decisions about drawing benefits.

The Money and Pensions Service (MAPS) is a new organisation formed from the Pensions Advisory Service, the Money Advice Service and Pension Wise, to make it easier for people to get help and guidance about pensions and finances.

MoneyHelper is a new organisation which sits within MAPS. Go to www.moneyhelper.org.uk/en or www.moneyandpensionservice.org.uk to find out more.

State Pension Age – did you know?

The State Pension Age has been rising for both men and women and reached 66 for both sexes in October 2020 and will reach 67 in 2028. You will need to take this into account when planning your retirement. Go to www.gov.uk/new-state-pension for more.

Engagement Policy Implementation Statement

The Plan's latest annual Engagement Policy Implementation Statement has been published and is now available on the Plan website. The Statement provides details of the actions taken to meet the Plan's investment engagement policies and describes voting behaviour on behalf of the Trustee. You can find the Statement in the Information for Members of the Plan section of the website pensions.ymca.org.uk/information-for-members-of-the-plan by clicking on the link "YMCA Engagement Policy Document 2021".

Information About the Plan

The Pension Plan Website contains a lot of information about the Plan, the benefits, its finances and its governance.

Pension Plan Website:
www.pensions.ymca.org.uk

ADVISERS TO THE PLAN

The Plan's advisers are as follows:

Legal	Hogan Lovells/Osborne Clark
Plan Administrator	XPS
Plan Actuary	Danny Vassiliades, XPS
Auditors	Crowe UK LLP
Investment Manager	Mercers

CONTACT DETAILS

If a Member has a query please contact **XPS**, our administrators, by email or telephone:

✉ YMCA@xpsgroup.com

☎ 0118 918 5771

Please note XPS' new helpline number.

YMCA contact details are:

YMCA Pension & Assurance Plan
10-11 Charterhouse Square
London EC1M 6EH

YMCA Switchboard: **020 7186 9500**

If you have any queries regarding the content of this Newsletter, please contact Gwynne Jarvis (Company Secretary).

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