**PENSION DISCLOSURES REQUIRED: Suggested Wordings for 2019**
**Updated March 2019**

## 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 2019 will apply equally to December 2018 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. In the intervening periods these contributions are escalated by 3%.
When calculating the contractual liability, payments due in future years should be discounted at an equivalent (8 year) 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.

The latest triennial valuation was at April 2017 effective for annual contributions from 1 May 2018. This has shown that the pension recovery is on track and there is no need to increase contributions or extend the recovery period.

Associations should already have a liability on the balance sheet for 9 years of the 2018-19 pension deficit payments. This will be reduced by one year to reflect the payments made during the year.
The closing balance will thus be 8 years of the 2019-20 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 2018** of 9 years of discounted future pension deficit payments @ 2018-19 rate, should be reduced by the actual deficit payments made in the year.

2) The provision at **March 2019** to be 8 years of discounted future pension deficit payments @ 2019-20 rate. In April, the YMCA Pension Plan will contact each participating employer to advise of these new rates.

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

## Indicative disclosures:

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

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 2027, accordingly this is shown as a liability in these accounts. In addition, <<YMCA>> is required to contribute £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, 40% matching portfolio and 60% in the growth portfolio and Schroder (property units only).

The most recent completed three year valuation was as at 1 May 2017. 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 3.75% and 2.25% respectively, the increase in pensions in payment of 3.35% (for RPI capped at 5% p.a.), and the average life expectancy from normal retirement age (of 65) for a current male pensioner of 22.2 years, female 24.1 years, and 24.0 years for a male pensioner, female 26.0 years, retiring in 20 years time. The result of the valuation showed that the actuarial value of the assets was £141.2m. This represented 81% 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 2017 showed that the YMCA Pension Plan had a deficit of £33.6 million. <<YMCA>> has been advised that it will need to make monthly contributions of £xx from 1 May 2019. 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. The current recovery period is 8 years commencing 1st May 2019.

| | | 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 2019 £'000 | TOTAL 2018 £'000 |
| As at 31 March 2019 | xx | xx | xxx | xxx | xxxx | xxxx | |
| As at 31 March 2018 | 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.