

Pension Fund Committee

11 September 2014



County Durham Housing Group – New Admission Bodies

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Purpose of the Report

- 1 To inform Members of the implications to the Pension Fund of the creation of County Durham Housing Group from the end of March 2015, and to ask for 'in principle' approval for the admission of four new employers to the Pension Fund on the basis of an ongoing 'Open' scheme.

Background

- 2 The Council currently directly owns housing stock in the Durham City area and wholly owns two Arm's Length Management Organisations (ALMOs) that manage the council's homes in the former Easington and Wear Valley areas (East Durham Homes and Dale & Valley Homes).
- 3 Following a positive ballot of tenants in August 2014, the Council aims to transfer ownership of its homes to the new County Durham Housing Group, which will be made up of four landlords that will include Durham City Homes, East Durham Homes and Dale & Valley Homes and the County Durham Housing Group Limited. The County Durham Housing Group Ltd would be the "parent" organisation within the group and would be established to provide Dale & Valley Homes, Durham City Homes and East Durham Homes with support services.

Pension Fund Implications

- 4 East Durham Homes and Dale & Valley Homes are already separate employers within the Pension Fund. However, once they become part of County Durham Housing Group the nature of their participation in the Pension Fund will have to change as they will become 'admission bodies' (organisations that have to sign an admission agreement to be admitted to the Pension Fund) instead of 'scheduled bodies' (organisations that are automatically part of the Pension Fund).
- 5 A majority of council employees who currently provide services to tenants in Durham City and its surrounding areas, will TUPE transfer to Durham City Homes which will also have to be set up as a separate admission body in the Pension Fund. However, council employees working for the Housing Maintenance Director Labour Organisation (DLO) could possibly transfer to the County Durham Housing Group Ltd (parent company). The County

Durham Housing Group Ltd will also need to become a separate admission body employer in the Pension Fund as well as it is will employ some staff directly.

6 In line with the previous housing stock transfers in the county e.g. from former District Council areas of Sedgefield, Derwentside, Chester-le-Street and Teesdale, new employees of the Housing Group will be able to become members of the pension fund i.e. there will be an 'Open' scheme.

7 Four new admission bodies will need to be created in the Pension Fund:

East Durham Homes	formed from East Durham Homes (an existing ALMO)
Dale & Valley Homes	formed from Dale & Valley Homes (an existing ALMO)
Durham City Homes	formed from a transfer of staff from the Council
County Durham Housing Group Limited	not formed from a transfer of staff, but will employ some new staff who will work across the group

8 The four employers will be grouped together within the Pension Fund for the purpose of setting the employer contribution rate, to ensure that the same employer contribution rate applies across the whole of the new housing group.

9 As part of the admission of these employers, and in accordance with the requirements of the Local Government Pension Scheme Regulations 2013 assessments will be carried out to quantify any risk to the Pension Fund caused by the participation of the new employers in the Fund, as they will be Community Benefit Societies (with charitable objectives) and not local authorities and so could theoretically become insolvent. Where necessary, guarantee bonds or guarantees from other Fund employers will be put in place to mitigate against any risks identified.

10 However, the new group of landlords will be regulated by the Homes and Communities Agency (HCA) who will focus on the governance arrangements and financial viability of the organisations. The HCA has intervention and enforcement powers, which provide an extra degree of protection to lenders and pension funds.

11 Work has begun involving the Pension Fund actuary, to assess the future employer contribution rate of the new employers and to look at the risks associated with their admission to the Fund.

Next steps

12 Work will continue with the actuary to finalise the employer contribution rate required from the new bodies and assess the requirement for a guarantee bond.

- 13 Admission agreements will be prepared for execution by all the relevant parties to allow the new employers to participate in the Pension Fund with effect from the end of March 2015.

Recommendations and Reasons

- 14 Members are asked to approve in principle the participation of the four new admission bodies in the Pension Fund on an 'Open' scheme basis provided that:
- The necessary admission agreements are prepared and executed – these will include a requirement for the new employers to meet all their obligations under the regulations governing the Scheme.
 - An appropriate assessment is carried out regarding the requirement for a guarantee bond to protect the Pension Fund from any potential future costs associated with the participation of the new admission bodies .

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