**Hexagon Housing Association Ltd**

**Notes of the Pension Strategy Meeting held on 26th June 2015**

**Present:** Debbie Bankole-Williams, Ruth Chambers, Tom McCormack, Kerry Heath, Jon Cross, Phil Newsam, Tracy Inniss (Notes), Tony Barnard (First Actuarial)

**Apologies** were received from Chris Melville

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| 1. **Presentation & Report from First Actuarial**   Tony Barnard ran through a presentation detailing the different types of pension schemes, and the key issues to be considered.  Tom asked about the level of certainty with a DC Scheme. Tony explained that SHPS have an online modeller. DC Schemes can be good if putting in large amounts of money at an early age. They move the risk from the employer to the employee, and are therefore not as beneficial as a DB scheme for the employee.  Debbie asked if it is possible to obtain data from SHPS in respect of Hexagon’s position. Tony confirmed that his report includes information on the number Hexagon’s deferred pensions etc.  Debbie asked of the 550 organisations how many are open to new entrants. How are other providers acting in relation to the scheme, and how close are we to “last man standing”. Tony advised that there is definitely a move to closing schemes to future accrual. In 2008 Hexagon closed the DB scheme to new entrants, as did many other organisations. In 2011 – some organisations closed to future accruals. Some organisations are planning to close, but not in line with the triennial valuation.    Debbie asked if we are able to measure whether Hexagon’s position has worsened each year, as some organisations use this information to decide on a way forward. Tony confirmed that the current contribution rate of 12.4% for members is high for a final salary scheme. The maximum is usually around 10 or 11%. Therefore if Hexagon does decide to increase the member contribution rate employees may decide to leave the scheme.  Tony confirmed that if Hexagon does decide to close the DB scheme, past service is protected, and members will retain the salary link if they continue to work for Hexagon.  Tony also pointed out that Hexagon is overpaying £8k per year (0.4%) due to age-related contributions. We can advise SHPS that we want to move away from age-related contributions.  In relation to the auto-enrolment contribution increases in 2017 & 2018, we will need to look at our policy in relation to matching contributions etc.  Tony advised that a decision regarding how the 2.1% contribution increase will be funded will need to be taken by January 2016. Any decision regarding moving away from the DB Scheme can be made later, and does not have to wait until the next valuation.  In terms of benchmarking information, 90% of large HAs in London and the South have closed DB pensions to new entrants, and 50% have closed to all staff. It is not yet clear how many medium sized HAs will follow.  Tom asked what is the risk of the deficit increasing in the future? Government gilt rates are at a historic low, will they start to rise? Tony explained that this is very difficult to predict. The actuary predicts that by 2026 the Scheme should be in surplus, however, there is not guarantee that this will be the case.   1. **Next Steps**   Ruth stated that it would be very useful to know how many large HAs (G15), and how many of the L8 are in/not in the DB Scheme. Tony will provide information regarding the G15. Phil will request this information from the L8.  Debbie suggested that we need to consider:-   * A clear objective * Are we happy to pass on the costs to employees? * What would we have done three years ago? * The salary base of the 58 members v the DC members   The following options will be considered at the next meeting:-   * Leave the DB Scheme * Stay for now (with/without a delayed leaving date) * Move to CARE with the savings split equally   Phil will model the following:-   * DB 1/60th with Hexagon meeting 2.1% increase * CARE 1/60th with saving split 50:50 * DC with 7.4% employer contribution * DC with 8% employer contribution * DC with 10% employer contribution  1. **Date of Next Meeting**   Monday 14th September – 2.30 pm | **Action**  **TB**  **PN**  **TI**  **PN** |