

**Cloch Housing Association**  
**Minutes of Board Meeting**  
**held on Tuesday 31 January 2023 at 6pm**  
**via MS Teams and in the office**

**Present - online:** Kelly Ferns (Chair), Heather Thomson (Vice Chair), Ken Robertson, David Brown, Victoria Weir (cv), Hristina Tarpanova (cv), Jackie Smith (from 6.30pm).

**Present – office:** Eileen Tamburrini (Secretary), Eleanor Robertson

**Attending:** Alana Durnin (Chief Executive Officer)  
in office & online Louise Carlin (Head of Housing Services)  
Valerie Wilson (Finance Director)  
Shonaid Musgrove (Corporate Services Officer, Minute Taker)  
David McIndoe (Observer)  
Gordon Birrell (Chiene & Tait)  
Jonah Thurgood (Housemark)

<b>1.</b>	<b>Housemark Presentation</b>  The Housemark consultant, (Operations Manager), took the Board through the performance benchmarking presentation.  The Board had a brief discussion about the presentation and its outcomes. There were some questions from Board members about the statistics, which were answered. The Chair mentioned that it was good that the Association could use the benchmarking information as part of a value for money, (VFM), review to focus on aspects of performance against the benchmarking data. The Finance Director, (FD), stated that this would be key for the Association going forward and a new VFM Strategy would be introduced shortly.  The Board thanked the consultant for the presentation, and he left the meeting at 6.15pm.
<b>2.</b>	<b>Pensions Training Session</b>  The consultant from Chiene & Tait Chartered Accountants, took the Board through the pension presentation.  The FD advised that the consultant had made a presentation to staff still in the Defined Benefit (DB) scheme as well as undertaking meetings with the staff to provide one to one pension advice.  The consultant acknowledged that pensions are a very complicated area, and this presentation would be based on the employer/Board perspective. To highlight the risks associated with Defined Benefit schemes, he mentioned the exceedingly high costs incurred by the employer in the past, due to the pension deficit contributions required to sufficiently fund the scheme.

After the presentation the Board asked the following questions/made the following comments: -

- **Do we (the Board) know of the staffs' feelings about the possible closure of the scheme?** The FD replied that they did, and the results of the staff survey would be presented and discussed later on in the agenda.
- **If employees move to the Defined Contribution (DC) scheme, can they increase their pension pot by paying in Additional Voluntary Contributions (AVC's)?** The consultant advised that staff could still pay in AVCs but the amount of the employer contributions would remain at a maximum of 10%, if the DC scheme did not change. It was highlighted that staff cannot put AVC's in as a lump sum but rather as a percentage (e.g., monthly) via payroll. The maximum and minimum amounts that can be paid in via AVCs was also discussed.
- **What are the key factors for the Board to consider?** The consultant intimated that the Board needs to consider, 'what is the risk to the organisation?' as the key point – the cost of providing the defined benefit scheme now and possible, future pension liabilities.
- **Is there a difference in the DB and DC schemes in terms of staff making AVC's and in relation to death in service?** The consultant advised that the pension pot built up would be an asset and pass to their nominated person(s) who would still get the benefit. AVCs in the DB scheme could be withdrawn as part of the overall pension calculated at point of death (a monthly pension) or a lump sum, and for the DC scheme it would be part of the accumulative pension pot. The pension pot within the DC scheme is effectively a mixture of employer/employee/tax relief contributions and would be a single pension pot for the employee to determine their preferred structure of withdrawal on retirement.

The CEO reiterated that pensions are a very complex issue and suggested that a Working Group (WG) be set up, if any changes to the pension offering were to be made. Feedback from the staff was that they were aware of the risks that retaining a DB scheme posed to the Association and the financial constraints of a below inflation rent increase in 2023/24 against higher than inflation costs. The FD advised that SHAPS have confirmed there will be no changes to the DB scheme percentage contributions in 2023/24, however if changes are to be made for implementation on 01/04/24, employers will have to confirm the split of contributions to the pension provider by 31/01/2024. The FD intimated that they are on the SHAPS Employers' Committee and this appointment had been made following nomination by their previous employer. SHAPS have asked the FD to stay on the Employer Committee until the next election. This has been declared and is not deemed to be a conflict of interest. It was noted that the FD was on as an employer representative and not as a pension scheme member representative.

The Board agreed that setting up a WG would be a prudent exercise. This would consist of staff and Board members. It was agreed that the FD should be on the WG. The CEO suggested the WG could also consider the fairness of any new proposed pension scheme offering, relating this to the current DC scheme, and gave the example of one member of staff who pays 3% into their DC scheme and receives a 6% contribution from the employer versus someone who pays 5% into their scheme and who gets a 10% employer contribution, effectively highlighting the overall staff member's remuneration package is dependent on what they can afford to pay into the DC scheme. The CEO also highlighted that consideration should be given to future affordability of the DB scheme moving forward,



(2) Does your organisation believe that pre-retirement revaluation (the increase that applies to the accrued pension before retirement) for the CARE options should reduce? Increases are currently in line with RPI, subject to a maximum of 5%pa, and would instead be in line with CPI, subject to a maximum of 2.5%pa.

It was noted that the consultation on this had to be submitted by 6 February 2023.

The Board enquired if there was a requirement to make a response. The FD replied there was not. The FD stated that it was only those organisations that still had DB schemes that have the opportunity to make responses. The Board made the following comments:

- It was positive that the staff realised the financial implication/risk the DB pension schemes posed to CHA.
- Cloch will always have risk associated with these pensions from the applicable date of the pension accruals and until the last person in the scheme passes away.
- If the employer alone were taking the decision to close the final salary DB scheme, consultation would usually be circa 1 year, but this may not be the case in this instance, if SHAPS take this decision based on the outcome of the consultation.
- Some Associations in the past have taken a stepped approach to the change instead of the significant move from DB to DC, e.g., to go from a final salary pension scheme to one of the CARE scheme options, prior to a DC scheme.
- Cloch had looked at this in the past and closed the final salary DB scheme to new entrants.
- Employer costs are rising fast.
- Affordability of a pension for staff is also a concern.
- Working Group to be set up.

Discussing question 2 the following comments/points were made:-

- CARE options to reduce in line with RPI move to CPI at 2.5%. Current year inflation is capped at 5% but if this was changed future years inflation would be a max of 2.5% or lower if CPI is lower.
- Does the Board believe that the CARE options should be reduced or be removed entirely? It was clarified by the FD that the CARE schemes are not being consulted on for closure by SHAPS and this would be a decision for the Association.
- Any decision needs to make pensions affordable for employees and employer.
- Risk for employer needs to be paramount to reduce risk of potential future deficit contributions.

## **RESOLUTIONS**

The following decisions were approved.

1. To respond to the SHAPS consultation by confirming the preference to close the final salary pension scheme to future accruals.
2. To respond to the SHAPS consultation that the CARE option should follow in line with CPI and be subject to a maximum of 2.5% per annum.
3. That a Working Party should be set up to consider the future pension offerings by Cloch to employees.

**ACTIONS**

1. Board decisions to be submitted before the end of the consultation period.
2. Working Party of staff and Board to be set up with immediate effect.

The FD advised that her report also referred to the increase in uptake of the salary sacrifice scheme. The CEO stated that the savings the Association made from employer national insurance from the previous uptake of salary sacrifice is ringfenced to pay for the Westfield Health scheme, previously approved by Board. The CEO enquired if the Board would consider ringfencing all the employer’s national insurance savings for wellbeing initiatives for staff. It was suggested this could start with pension advice / retirement planning for the staff within the DC scheme / those not in the pension scheme, mirroring the opportunity for pension advice that the DB scheme staff members had recently received from the independent financial advisor. It was noted this would be fully paid by the employer’s national insurance savings as more people had taken up the salary sacrifice scheme over the last quarter.

Some concerns were raised if the Association is to be seen to be giving out pension advice and asked if this could be challenged in the future if investment decisions did not perform to illustrations. The FD advised that the advice would not come from the Association, but an independent advisor. The Association would be seeking to use the savings from the salary sacrifice scheme to pay for a pension advisor, but the organisation will never offer any financial advice. The CEO intimated the proposal to Board was that the savings generated by staff joining the scheme could be allocated to a specific budget for staff wellbeing activities, such as pension advice. A Board member suggested pension advice should not be a one-off activity but provided throughout someone’s career at milestone points.

**RESOLUTION**

The Board approved that the savings from the new uptake of the salary sacrifice scheme can be used for the provision of one-to-one pension advice for staff who have not yet received this, (those not in the DB scheme), and wellbeing activities for all staff.

**ACTIONS**

To update the Salary Sacrifice Policy reflecting the above.

**At this point D McIndoe, who had been observing the meeting, left.**

**6. Briefing Paper**

In mid-January, the Board had been issued with a report prepared by the CEO to provide an update on the Scottish Government’s decision on the rent freeze/cap and the flooding incident that took place on the 30/12/2022. A further update on the flooding incident was provided. The CEO wished to acknowledge the quick and effective response by staff on this, particularly the Head of Property Services who liaised with the insurance company, Leadership Team and Chair, and the Head of Housing Services and the Property Services Officers who were on-site immediately and continued communicating clearly and concisely

	<p>with the tenants over the following days until the office reopened. The CEO also stated that Cloch's insurers have been excellent too.</p> <p>Following this incident, the CEO is contacting Inverclyde Council to enquire about plans for flood prevention measures.</p>
<b>7.</b>	<b>AOCB</b>
7.1	<p><u>Private &amp; Confidential Report</u></p> <p>See separate minutes.</p> <p>During the Private &amp; Confidential part of the meeting the Standing Orders were suspended.</p>
7.2	<p><u>RBS Loan Agreement – Amendment Approval</u></p> <p>The FD apologised for the short notice given on this item. It was advised that approval had already been given at the December 2022 Board meeting and the amendment document had now been drafted and if left to be dealt with at the next scheduled meeting the Association would incur additional interest costs. The FD advised that the motion had been to move £3.2M loan funding from the Facility B to the revolving credit Facility C. Notice had been given on the Association's long-term cash deposits and therefore cash reserves would be used to fund activities rather than loan funding, albeit the loan facility is available within 2 days' notice.</p> <p><b>RESOLUTION</b> The Board approved the final amendment to the RBS Loan Agreement.</p>
7.3	<p><u>Lottery Application</u></p> <p>The Chair and CEO advised that the Association had been successful in a lottery application and had been awarded £23.4k to help our tenants directly with projects such as money for hubs to offer warm spaces with hot food.</p>
7.4	<p><u>Reflections on Meeting</u></p> <p>The meeting had been lengthy, and thanks was given to everyone for staying on. The plan and remit for pension WG will be set out and brought back to the next Board meeting for approval.</p>

**8. Date of Next Meeting – 21 February 2023**

The Chair reminded the Board that February was a particularly busy month.

- Joint H&PS and F&CS Subs – Thursday 16 February 2023
- Special Board meeting – Tuesday 21 February 2023
- Business Planning meeting – Saturday 25 February 2023

**The meeting closed at 8.20pm.**