



## Committee report

Committee	<b>ISLE OF WIGHT PENSION FUND COMMITTEE</b>
Date	<b>8 JULY 2016</b>
Title	<b>SPECTRUM HOUSING GROUP – CONTINUED PARTICIPATION IN THE ISLE OF WIGHT PENSION FUND</b>
Report of	<b>TECHNICAL FINANCE MANAGER</b>

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### EXECUTIVE SUMMARY

1. This report sets out the proposals for the continued participation of Spectrum Housing Group (Spectrum) in the Isle of Wight Council Pension Fund (the fund) following a business combination with Sovereign Housing Group (Sovereign).
2. The committee is asked to agree the continued participation of the combined organisation and to authorise the technical finance manager, in consultation with the director of finance and section 151 officer and the fund's actuary, to agree the final form of the agreement.
3. This proposal is separate to the issue of cessation planning for the housing groups (see separate agenda item), but the outcome of the business combination will need to be reflected in any agreement for cessation planning.

### BACKGROUND

4. Spectrum is an admitted body to the fund, following the amalgamation of Medina Housing Association (Medina) into the Spectrum Housing Group in April 2013.
5. Medina had been an admitted body to the fund since July 1990.
6. An admitted body is defined by reference to Part 3 of Schedule 2 to The Local Government Pension Scheme Regulations 2013, specifically paragraph 1(a): *a body which provides a public service in the United Kingdom which operates otherwise than for the purposes of gain and has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest (whether because the operations of the body are dependent on the operations of the Scheme employer or otherwise).*

7. The previous amalgamation of Medina into Spectrum, and the subsequent transfer of admitted body status, was progressed through a side letter to the original admission agreement, whereby Spectrum took over the previous admission agreement from Medina with no impact on members, contribution rates or funding deficit.
8. Solicitors for Spectrum have approached the fund to consider the implications for the continued admission of Sovereign/Spectrum following the combination which would not result in a cessation calculation and crystallisation of the pension liability due to the fund from Spectrum.
9. The new business combination is proposed to be completed in October 2016, but requires agreement from the fund to the continued participation of Sovereign/Spectrum in the fund by whatever means.
10. The proposed form of combination is through a **statutory amalgamation** under section 109 of the Co-operative and Community Building Societies Act 2014. Under this method, the existing admission agreement would be transferred (by side letter) to Sovereign, with no requirement for a cessation/new admission agreement.
11. This is the form taken by the previous amalgamation of Medina into Spectrum. Should this be the agreed method for this combination, it is proposed that a similar agreement (as described in paragraph 7 above) be entered into between the fund and Spectrum/Sovereign.

#### STRATEGIC CONTEXT

12. The primary objective of the fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, in accordance with the Local Government Pension Scheme (LGPS) regulations and statutory provisions. The committee aims to operate the fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing.

#### CONSULTATION

13. The agreement, in whatever form is required, will be finalised with advice sought from the fund's actuary and with the council's internal legal team.
14. No other consultation is proposed.

#### FINANCIAL / BUDGET IMPLICATIONS

15. Any cost incurred in the finalisation of the agreement for continued participation of Spectrum/Sovereign in the pension fund will be borne by the pension fund, with no direct impact on the council's budget.

16. Other than the cost of advice from the actuaries, there will be no direct costs to the fund should the agreement be in the form of a side letter to the original admission agreement.
17. A review of Sovereign's financial standing in comparison with that of Spectrum (by reference to the Homes and Communities Agency assessments of the financial viability of housing associations) will be undertaken to determine whether the combined organisation requires additional security to be given to the fund.

#### LEGAL IMPLICATIONS

18. The Isle of Wight Council is the administering authority for the Isle of Wight Council Pension Fund, as defined in Part 1 of Schedule 2 to The Local Government Pension Scheme Regulations 2013.
19. Under section 101 of the Local Government Act 1972, the council has delegated the operation of the pension fund to the Isle of Wight Council Pension Fund Committee.
20. The committee's terms of reference, as contained in Article 11 of the council's constitution, include the provision for the committee to consider applications for admitted body status. This is interpreted to include changes to the status of existing admitted bodies.

#### EQUALITY AND DIVERSITY

21. The council has a legal duty under the Equality Act 2010 to seek to eliminate discrimination, victimisation and harassment in relation to age, disability, gender re-assignment, pregnancy and maternity, race, religion, sex, sexual orientation and marriage and civil partnership.
22. Initial screening has indicated that there are no specific equality and diversity issues arising from the content of this report.

#### RISK MANAGEMENT

23. There are no direct risks to the fund in agreeing the continued participation of the combined organisation in the fund.
24. As noted above, additional security may be required by the fund should Sovereign's financial standing be lower than that of Spectrum. Advice will be sought from the fund's actuary should that be the case.

## RECOMMENDATIONS

25. That the committee agree to the continued participation of Spectrum Housing Group in the Isle of Wight Council Pension Fund, following its combination with Sovereign Housing Group.
26. That the technical finance manager, in discussion with the director of finance and the fund's actuaries, be authorised to agree the final form of the agreement to allow continued participation.

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