

## Case Study

# Darlington Building Society Pension Plan

Darlington Building Society ('the Society') is an independent regional building society that recently celebrated their 160th anniversary focusing on serving the local community.

The Society has a defined benefit (DB) scheme, which is closed to the build-up of further benefits, with assets of £27m and 291 members. Although closed, the Scheme and its governance is still an important issue for the Society.

The Society was aware that the governance requirements for DB schemes have increased markedly over recent years. The impending retirement of a number of knowledgeable Trustees from the Scheme, led to the Society undertaking a review of the most appropriate model of governance going forward. The Trustees and the Society both agreed that a transfer to a DB Master Trust was the most suitable option.

As part of the review, the Society felt it was important to select a provider with a history of working with paternalistic employers and who also offered a track record of strong governance. As well as TPT's proven experience of running DB schemes under their DB Master Trust solution, covering all the services such as trusteeship, administration and investment services required to run a scheme, it was clear to the Society that TPT, as a member focused, not-for-profit organisation, has a similar culture and values.

The new arrangement with TPT will help the Society receive value for money in the running of the Scheme, whilst not compromising on the quality of service expected.

The Society and the Trustees had already been looking at hedging out interest and inflation rate risks, using LDI solutions, but found that TPT's LDI proposition offered an appropriate solution, without incurring any additional costs. With this risk reduction, the amount of capital that the Society needs to hold in reserve, based on an annual stress test, has been reduced.

With over £9 billion in assets in TPT, the Scheme is able to further mitigate its risk and adopt a more sophisticated investment strategy, including access to a wide range of alternative asset classes.

A new fully ring-fenced section, for the Society, was set up within the TPT Master Trust, from 31 January 2018, to take on a bulk transfer of assets and liabilities from the existing scheme.

The implementation of the new arrangement was overseen by TPT, working closely with the Society and existing providers to ensure a smooth transition. Alongside the transfer, the Society decided to set up a DB Governance Committee, to provide oversight on the new scheme.

**Chris White, Finance Director at Darlington Building Society commented:**

"We have been delighted by how smoothly the transition process has gone, how professional TPT have been, and how much care and attention they have given to our members. Their investment expertise has also helped the Society hedge its risk and significantly reduce its capital requirements."