



Sharing the load

Having transferred its legacy DB scheme to TPT Retirement Solution's master trust in January this year, Natalie Tuck speaks to Darlington Building Society finance director, Chris White, about how the transition went, and the main challenges facing the scheme

Can you tell us about Darlington Building Society's pension arrangements? What schemes do you have?

We have a legacy defined benefit (DB) scheme, which was closed to future accrual on 31 March 2010, and the scheme has subsequently been transferred into The Pensions Trust Retirement Solutions (TPT) DB Master Trust arrangement, with effect from 31 January 2018. In addition, we have a defined contribution (DC) scheme open to our staff through Aviva.

What is the investment strategy for the DB scheme? Is the scheme incorporating ESG into its strategy?

The investment strategy for the DB scheme has been constructed in conjunction with TPT, taking into account the covenant of the society and the funding position of the scheme. We have agreed a split between the growth and matching assets, which we feel is an appropriate balance between risk and reward. Through the use of TPT's investment strategies we have been able to access LDI in our matching assets at a lower cost than we would have prior to the transfer and the growth assets offer a slightly higher targeted return but with lower risk and lower volatility than in the previous scheme. It was TPT's investment expertise that was a key factor in the society deciding to transfer the scheme into its master trust. TPT has an environmental, social and governance (ESG) strategy, which again formed part of our due diligence when transferring

our scheme to them, as this is an important consideration for the society.

How has the Lloyd's GMP ruling impacted the scheme?

As yet we have not taken any action but will be liaising with our advisers and TPT shortly to discuss the implications for the society.

What investment options are available for your DC members? Do you find that many tend to stay within the default option?

The assets in the society's current DC scheme are, by default, in managed funds operated by Aviva. Whilst there is the ability to select your own funds we see very few staff taking up this option.

What are the main challenges facing the schemes? What steps are you taking to overcome them?

One of the main challenges facing the DB scheme was the recruitment of new trustees as existing trustees retired. In addition, the trustees were finding the governance and regulatory requirements increasingly challenging. We were also seeing advisory costs increasing and could only see that trend continuing. It was these factors, along with the investment challenges detailed previously, which led to us transferring the scheme to TPT earlier this year. I have to say that the transition was a smooth process and so far we have been very impressed with the quality and service offered by TPT, giving us comfort that we have made the right decision for the members of the scheme.

How do you communicate and engage with your pension scheme members?

For our DB members TPT offers a contact strategy very much in line with how the Darlington communicates with its customers; by phone, by post or online, whichever the member prefers. The transfer to TPT has now provided a DB online portal for all our members, which allows them to change their personal details and their nominations, request quotations, view payslips, benefit statements, P60's, summary funding statements and the ability to 'ask TPT a question'. In addition to this, there is a comprehensive website with a scheme-specific section covering the scheme details. The website also includes a pension modeller for both DB and DC benefits. Members also receive a digital bi-annual newsletter and access to a more generic annual report.

What are your goals going forward for your pension arrangements?

For the DB scheme we hope the scheme with TPT continues to run as smoothly as it has done so far. We are currently undergoing the first triennial valuation with TPT where we will look at the requirements to get to 100 per cent funded on a technical provision basis and will then look at what the requirements would be on the society should we wish to set a secondary funding target and reduce the risk in the scheme's investments.

Written by Natalie Tuck