

## For Decision

Agenda Item: 13  
Meeting Date: 26/11/25

**To:** The Management Committee

**From:** The Director

**Subject:** Pensions

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### 1. Introduction and Purpose

- 1.1 Following on from the Pensions Session with the independent Pensions Advisor, Committee decided, at last month's meeting, to propose the closure of the DB pension scheme to new entrants, including existing staff not currently in the scheme.
- 1.2 The purpose of this report is to provide the Committee with an update on the proposed consultation process to be undertaken and to seek its approval of the written notification to be issued to all staff. In addition, Committee is asked to decide who will attend the consultation session for staff. Initially the session will be run twice to give staff a choice of when to attend. It is anticipated a follow up session will be held to present feedback and questions raised at the first session(s).
- 1.3 Committee is also asked to approve the draft notification for notifying staff of its decision to close the growth plan relating to the DB pension scheme.

### 2. Staff Consultation

- 2.1 As Committee is aware, following my initial discussions with EVH in October, that I had anticipated that EVH would provide support and assistance in terms of any staff consultation to be undertaken. Earlier this month I had a phone discussion with Paul McMahon, Director of EVH and it was his recommendation that we follow legal advice on how the consultation process should be conducted. Paul is an employment solicitor by profession, and he felt it was important that we follow any legal requirements for consulting with staff and that the best source of advice would be our own employment solicitor. I then emailed Karen Harvie, Aberdeen Considine for further advice. I spoke with one of her colleagues, Marianne McJannett, and had a subsequent email exchange. The advice received was as follows:

"I have now set out the proposed consultation process for the closure of the DB scheme.

As this is not a listed change, I would agree that the usual 60-day consultation period is not required, and therefore it can be approached in the same way any contractual change would be consulted on.

Written notice of the proposed change must be given to all affected members and all representatives with whom the association is going to consult. The notice should outline:

- The proposed change and the effect this will or is expected to have – here I would be focusing on the benefits of the DC scheme and what it offers to members;
- Any relevant background information – reasons as to why the DB scheme is closing; financial viability of the scheme etc;
- Timescales for introducing the change – when you're proposing closing the scheme to new members.

Consultation should be meaningful and provide affected members with a genuine opportunity to express their views.”

2.2 I then drafted a notification to be issued to all staff which I asked our solicitor to review. Our solicitor advised that the draft notification was appropriate and that she had no changes to make to it. I also asked Alistair Russell-Smith from Spence and Partners, who provided the independent pensions advice to Committee to review the notification. His response was as follows:

“I think what you're saying in the document is factually correct, so no comments from me. There are a range of items that have to be covered when doing a statutory pensions consultation, and not all of them are in this document. But given you don't have to comply the statutory pensions consultation requirements as you have less than 50 employees, I presume you have latitude on what you do and don't include in your communication. I'm sure your solicitor can advise further on this as required.

My only comment is that there is no rationale for the proposed closure date of 1 May 2026. There's no particular science to setting this date, but given the new DB rates take effect on 1 April 2026, I'd have thought that might be more obvious date to pick for the closure to new hires.”

2.3 I have advised Alistair that I had already taken legal advice and the draft written notification is based on that advice and that our solicitor has reviewed the draft and confirmed it is acceptable. In terms of his point about the closure date for the DB pension, I have suggested the date of 1<sup>st</sup> May 2026 to allow staff not currently in the scheme to join once the new contribution rates (which are lower) have come into effect. If we go

with a closure date of 1<sup>st</sup> April, staff will need to join in March, which means they will have to pay the current contribution rate of 14.8% which is over 3 times what they are currently paying for the DC pension rate (4%). I appreciate this is only for 1 month and then the new rates will kick in from April. However, it may be negatively received and perceived as a way of discouraging staff from joining. However, it is for Committee to decide the closure date for the DB pension. Additionally, this does not mean staff cannot join before this date, rather, this is their final opportunity and reduces the administration pressures on our staff team by not being required to make multiple changes in a short space of time.

- 2.4 The notification for staff is attached. Committee will see from this that we are proposing to hold a session for staff to attend (different dates will be offered) to ask any questions they may have or to hear more about the proposed change. It is recommended that one or two Committee Members attend to explain to staff why this change is being proposed and to answer staff questions, where possible.
- 2.5 Committee will also see from the attached that I am proposing the consultation runs until Friday 9<sup>th</sup> January to ensure staff feel they have had ample time to think about the proposal and provide any feedback. The intention would then be to present the outcome of the staff consultation to Committee at the January meeting to make its final decision.
- 2.6 Committee will further note that it is intended to consult the affected staff about the proposed split off the future service contribution rate for the DB pension. It is hoped that a short survey will suffice for this and I am currently waiting to hear back from our employment solicitor on this.
- 2.7 Having discussed the pension changes with our Finance & IT Manager he had suggested we also advise staff of Committee's decision to close the growth plan. To keep things clean and straightforward, this information is being presented in a separate notice which is also attached for Committee's review.
- 2.8 Committee is asked to review both staff notifications and approve them for issuing. In terms of the notification about the proposed changes to the DB pension for consultation, Committee is asked to decide who will attend the sessions. It will be the same session run twice over a 2 week period e.g. Wednesday afternoon one week and Tuesday morning the next week. Also allowing for a follow up session to take place before we finish for Christmas, to present any feedback or issues and questions raised from the previous sessions. As we are a member of EVH, we are subject to a collective bargaining framework with Unite the Union. On

this basis and because a small number of our staff are in the Union, a copy of the notification will be shared with the union rep.

### 3. Notifiable Event

3.1 Due to the change Committee is proposing to the DB pension scheme about closing it to new entrants and its decision to close the growth plan for the DB scheme, I contacted our Regulation Manager by email, to ascertain whether a formal NE should be submitted. An update will be given at the Committee meeting.

### 4. Risk

4.1 We have considered risk in relation to pensions, and specifically defined benefit pensions, and have identified the key risks under the following risk categories and the measures we have taken to mitigate such risks, where possible.

Risk Category	Mitigating Measure
<p><b>Financial:</b>            Ongoing affordability of final salary pension scheme;            Levels of past service debt accrued;            Future liability;            Cessation event;            Reliance on other scheme members;            Inability to pay deficit funding;</p> <p>Rosehill are left to pay other employers staff pensions through the “last man standing” nature the longer the deficit is continuing and can be exacerbated by new members with longer service to come being allowed to enter. – could add to the reliance on other scheme members as their reliance on us too</p> <p>Scheme continues to underperform, increasing deficit requirements.</p> <p>New entrants extend liability and risk.</p>	<p>Pension deficit contributions incorporated into 30 year cash flows demonstrate capacity to pay increased contributions without detriment to our tenants;</p> <p>Prudent approach to budget and projections to allow for all staff being in DB scheme (reality only 6 staff currently in it)</p> <p>Alternative pension scheme available to employees;            Membership of scheme reviewed at least every 3 years by Management Committee following publication of the scheme valuation;</p> <p>Total pension contributions are a relatively low proportion of turnover;            Total staff costs benchmarked against other RSLs;            Additional costs of auto-enrolment incorporated into short, medium and long term budgets.</p>

<p><b>Governance:</b></p> <p>Inadequate information provided to Committee leading to poor decision making and ineffective governance</p>	<p>Financial information provided through annual budget and 30 year projections;</p> <p>Independent Pension advice provided to Committee re: decisions required re: DB scheme</p> <p>Pension Review Session with Independent Pension Advisor held in early October.</p>
<p><b>Legislative and Regulatory:</b></p> <p>as above and, Fail to meet regulatory requirements</p> <p>Contractual entitlement to DB pension due to length of time it has been in place;</p> <p>Affected staff could claim breach of contract;</p>	<p>As above</p> <p>Sought advice on any contractual entitlement to DB pension;</p> <p>No statutory requirement to consult with staff as we have less than 50 employees but as a matter of good practice consultation will be undertaken.</p> <p>Sought advice from EVH and legal advice on issue of contractual entitlement to DB pension.</p>
<p><b>People:</b></p> <p>Staff unhappy with decision about DB pension (potential for claims of breach of contract)</p>	<p>Committee's decision will be based on independent, expert pensions advice;</p> <p>Consultation with staff will be undertaken including information sessions.</p>

## 5. Delivery of our Strategic Objectives

Area	Related Strategic Objective(s)
Staff Consultation on proposed changes to DB pension scheme.	<p>7) Achieve the highest standards in all that we do</p> <p>6) Use resources efficiently and effectively</p>

## 6. Application of our Core Values

Area	Related Core Value(s)
Staff Consultation on proposed changes to DB pension scheme.	<ul style="list-style-type: none"> <li>• Engaged and Responsive;</li> <li>• Fair and approachable;</li> <li>• Accountable and Compliant;</li> </ul>

## 7. Compliance and Assurance

- 7.1 Periodically reviewing the matter of the defined benefits pension scheme, including taking account of any information published by the Pension Scheme (e.g. results of 3 yearly actuarial valuations) and seeking independent pensions advice when required, should ensure Committee is making well informed decisions and keeping our participation in the DB scheme under review. Where changes are being proposed that legal advice is sought on the requirements for carrying out staff consultation. This means we are compliant with Legal and Regulatory requirements. In particular:

Compliance Source	Details
The Standards of Governance and Financial Management for RSLs	<p><b>Standard 3</b> - The RSL manages its resources to ensure its financial well-being, while maintaining rents at a level that tenants can afford to pay.</p> <p><b>Guidance 3.6</b> – The governing body ensures that employee salaries, benefits and its pension offerings are at a level that is sufficient to ensure the appropriate quality of staff to run the organisation successfully, but which is affordable and not more than is necessary for this purpose.</p> <p><b>Standard 4</b> - The governing body bases its decisions on good quality information and advice and identifies and mitigates risks to the organisation's purpose.</p> <p><b>Guidance 4.1</b> – The governing body ensures it receives good quality information and advice from staff and, where necessary, expert independent advisers, that is timely</p>

	<p>and appropriate to its strategic role and decisions. The governing body is able to evidence any of its decisions.</p> <p><b>Guidance 4.4</b> - The governing body identifies risks that might prevent it from achieving the RSL's purpose and has effective strategies and systems for risk management and mitigation, internal control and audit.</p>
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## 7.2 Evidence Bank

Evidence	Assurance Exercise Location
<ul style="list-style-type: none"> <li>Report for 26/11/25 meeting and staff written notifications;</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory Standard 3 – Guidance 3.6</li> <li>Regulatory Standard 4 – Guidance 4.1 and 4.4</li> </ul>

7.2.1 Committee is reminded that our Assurance Exercises are available in the Committee Log-in Area of our website, which Committee can access at any time.

## 8. Summary and Decisions Sought

8.1 Following Committee's decision, at last month's meeting, to propose closing the DB pension scheme to new entrants, including existing staff not currently in the scheme, further advice was sought from EVH on the required consultation process. It was recommended by EVH that we obtain advice from our employment solicitor to ensure we are complying with legal requirements over consulting staff on pension changes.

8.2 Following on from advice obtained from our solicitor, as set out in para 2.1, I drafted a notification to be issued to staff. The draft has been reviewed by our solicitor who confirmed it was appropriate and had no changes to make to it. The independent pensions advisor was also asked to review the notification and his feedback is set out in para 2.2.

8.3 Following discussions with the Finance & IT Manager, a second notification has been drafted to cover Committee's decision on the closure of the Growth Plan for the DP pension.

8.4 I have sought clarity from our Regulation Manager as to whether a NE should be submitted in relation to Committee decisions about our

involvement in the DB pension scheme. An update will be provided to Committee at the meeting.

- 8.5 Risk is considered at Section 4.
- 8.6 Section 5 shows how our approach to consulting staff over the proposed change to the DB pension scheme contributes to the delivery of our strategic objectives.
- 8.7 Section 6 shows how our approach to consulting staff over the proposed change to the DB pension scheme contributes to the application of our core values.
- 8.8 Section 7 demonstrates how we comply with legal and regulatory requirements.
- 8.9 Committee is asked to consider this report and decide on the following:

Notification about Proposed Changes to DB Pension (closure of pension to new entrants)

- what committee member(s) will attend the consultation sessions for staff;
- the closing date for the DB pension to new entrants;
- to approve the notification to be issued to staff to begin the consultation process.

Notification about Committee's decision to close the DB Pension Growth Plan

- To approve the notification to be issued to staff

- 8.10 In relation to the changes to the DB pension future contribution rates, Committee is asked to note that further legal advice is being sought on the proposal to issue a short survey to the affected staff to meet consultation requirements.
- 8.11 Committee is also asked to note that the written notification will also be shared with our named union representative.