Growth Plan: mitigating and managing your liability

Growth Plan is generally the scheme of choice for charitable and not-for-profit organisations.

This multi-employer scheme is made up of multiple series - series 4 is a money purchase arrangement, but series 1-3 are defined benefit arrangements.

What are the issues?

Growth Plan is different to other multi-employer, defined benefit schemes such as the Social Housing Pension Scheme (SHPS) and Local Government Pension Scheme (LGPS) as most of its members are charities.

But like all defined benefit schemes, liabilities can be substantial and continue to accrue (often significantly), whatever the underlying business performance.

As series 1-3 is a 'last man standing' scheme, if a participating member becomes insolvent, or exits the scheme and is unable to pay its cessation liability (Section 75 debt), the remaining participating employers stand liable for any deficit relating to that exiting employer's members.

This can be a strength – but also a potential risk. For example, in 2015/2016, 55 employers withdrew from Growth Plan; of these 25 debts were not settled or recovered. This has resulted in the remaining participating employers inheriting a share of this liability.

Given the current environment we are aware that many housing associations are reviewing their investment strategy across the business, with pension liability forming part of that review.

Options for housing associations

Changes to Accounting Standards have brought deficits into greater focus. Further, a revaluation due this year may provide additional cause for focus.

For housing associations which are members of Growth Plan, there are options available to mitigate and manage this pension liability.

These will depend on the size, shape and financial strength of the organisation, but could include exiting and paying the Section 75 debt or staying put and benefiting from a cross-subsidy and shared employer covenant.

Many organisations have already chosen to exit Growth Plan.

Find out more

Boards and senior executives need to keep their ongoing liabilities under review.

We work alongside all of the main pension actuaries so our team of pension experts can work seamlessly alongside you to ensure risks are understood, mitigated and managed effectively.

We have long term, broad experience of this specialist area of law, including working with a significant number of boards and senior executives of our housing association clients, advising them on their pension obligations and options in defined benefit multi-employer schemes such as Growth Plan.

If you would be interested in knowing more about our credentials or would like to discuss what we can do for you, please contact Andrew Cowan or Katie Maguire.

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