

# shps

## Employer Information Guide



Social Housing Pension Scheme



Administered by  
The Pensions Trust

# Employer Information Guide



## About the Social Housing Pension Scheme (SHPS)

The Social Housing Pension Scheme (the Scheme) is a centralised defined benefit pension arrangement with three different benefit structures specifically for staff of organisations involved in social housing. It provides a wide range of benefits for members, which are:

- a pension at retirement;
- the option to exchange some pension for a tax-free cash sum;
- life assurance cover;
- children's pensions;
- survivor's pensions;
- inflation-related increases to all pensions;
- ill-health retirement provision; and
- continued membership when changing jobs between employers who participate in the Scheme.

These benefits are described in more detail on pages 4 and 5. However, we believe the areas you, as the employer, will be most interested in are as follows.

### Advantages of the Scheme

The key advantages of the Scheme are:

- all administration is managed by The Pensions Trust so your involvement in running the Scheme is minimal. Help and advice is always available from your day-to-day contact at the Trust;

- provision of a good pension scheme helps to aid recruitment and retention of staff;
- economies of scale of administration costs are achieved through the Scheme;
- an elected Pensions Committee deals with policy and funding responsibilities of the Scheme;
- the Pensions Committee carefully considers the interests of employers as well as members and the benefits and costs of the Scheme;
- the Scheme is the recognised pension arrangement for the social housing movement;
- employers have the choice of three benefit structures; and
- employers have some flexibility when setting employee and employer contribution rates.

### Criteria for eligibility

Registered social landlords that are affiliated to:

- The National Housing Federation;
- The Community Housing Cymru;
- The Scottish Federation of Housing Associations; or
- The Northern Ireland Federation of Housing Associations

are eligible to join the Scheme provided they hold sufficient units of housing stock. Other not-for-profit organisations that work solely in the housing association sector may join the Scheme, subject to approval from the Pensions Committee.

## Code of Practice

If you become a participating employer in the Scheme then you must comply with the House Policies and Rules produced by the SHPS Pensions Committee. This states that employers must only offer SHPS to their staff (unless the alternative scheme is the Local Government Pension Scheme or equivalent). This policy was established to preserve the long-term financial security of the Scheme.

## Stakeholder

From October 2001 all UK employers with at least five employees must offer a stakeholder pension arrangement if they do not already offer all their employees the opportunity to join an occupational pension scheme or (within certain limits) a personal pension scheme. We therefore encourage all our participating employers to have no restrictions on eligibility for joining the Scheme.

## Cost of the Scheme

The Scheme has three benefit structures and each employer must choose which one it wishes to offer to its employees. The three benefit structures are as follows:

- A final salary benefit structure with benefits accruing at 1/60th of final earnings for each year of membership. The cost of this benefit structure is currently 22% of pensionable earnings.
- A final salary benefit structure with benefits accruing at 1/70th of final earnings for each year of membership. The cost of this benefit structure is currently 19.7% of pensionable earnings.
- A career average revalued earnings (CARE) benefit structure where members receive a pension of 1/60th of each year's revalued earnings. The cost of this benefit structure is currently 18.5% of pensionable earnings.

Details of how the costs may be shared between employers and members are provided on page 5.

The above rates apply to most existing employers as at 1 April 2007, and include an amount to cover the past service deficit. New employers that start to participate in the Scheme on or after 1 April 2007 will pay an overall rate of 4.4% less than those stated.

As with all defined benefit schemes, the Scheme is required to have an actuarial valuation at least every three years. Following each valuation it may be necessary to increase or to reduce the funding rate. The Scheme is contracted-out of the additional State Pension, and therefore both the employee and employer will pay reduced rate National Insurance contributions for scheme members, which will mean a lower net cost.

## Administration of the Scheme

All aspects of the administration will be managed by The Pensions Trust. This ranges from enrolling new members to producing benefit statements and paying pensions. On joining, all new employers will receive a detailed 'Employer Administration Guide'.

Each month, employers will be expected to provide The Pensions Trust with a list of contributions applicable to each individual member. Payment for contributions must be received by the 14th of the month after the contributions were deducted from members' pay and no later than the 19th of the month, which is the legal deadline under the Pensions Act 1995. Note: If you are unable to meet this requirement you should not join the Scheme.

The Pensions Trust will also advise employers and members on any new legislation or other requirements relevant to them.

## Joining the Scheme

To participate in the Scheme, you should contact the New Business Team at The Pensions Trust on 0845 123 6660 or email [contact@thepensionstrust.org.uk](mailto:contact@thepensionstrust.org.uk) for further information. You then need to complete an 'Employer Application Form' and notify your staff that you intend to provide a scheme that is contracted-out of the additional State Pension.

The New Business Team will provide you with a notice (which you must display) stating your intention to contract-out.

### **How much will members get?**

A pension payable for life of 1/60th of final pensionable earnings for each year (and proportionate for completed months) for membership up to 31 March 2007.

From April 2007 the pension earned by each member will depend upon which benefit structure they have been a member of as detailed below:

- **Benefit Structure 1**

A pension payable for life of 1/60th of final pensionable earnings for each year (and proportionate for completed months) of membership.

- **Benefit Structure 2**

A pension payable for life of 1/70th of final pensionable earnings for each year (and proportionate for completed months) of membership.

- **Benefit Structure 3**

A pension payable for life of 1/60th of total revalued career earnings for the period of membership of this benefit structure.

Members also have the option of taking a full pension or a tax-free cash lump sum and a smaller pension.

### **When can members retire?**

Normal Pension Age (NPA) is age 65, but members have the right to retire earlier or later than this.

### **What if a member retires early?**

- **Voluntarily**

A member's pension can commence at any time from age 50 (increasing to age 55 with effect from 6 April 2010). Early retirement will result in the pension being reduced to reflect the potentially longer period of payment. Members who joined the Scheme prior to 6 April 2006 will retain the right to retire from age 50 (from 6 April 2010) but this will

be subject to them having left the relevant employment if retirement is before age 55.

- **Ill-health**

The ill-health pension payable is the pension earned in the Scheme up to the date of retirement, plus half the prospective pension from that date to age 60. The pension earned to the date of retirement is calculated on the standard basis, dependent on which benefit structure applies, and the prospective pension to age 60 is calculated using the member's final earnings.

- **Flexible Retirement**

Members can ask for their pension, or a proportion of it, to be paid whilst continuing to work. This is subject to them reaching at least the minimum age required for payment of benefits.

### **What if a member retires late?**

Since 1 December 2006, members who have been retained in employment past age 65 have been entitled to continue contributing to the Scheme. Employer contributions must also continue as normal and death benefits will continue to be provided on the same basis as they were before age 65. Contributions must stop, and benefits come into payment, at age 75 (even if the member continues to work).

### **Pension increases**

The Scheme will match the increase in the Retail Prices Index (RPI) up to 5%. The Scheme has the objective of matching any RPI increase above 5% (subject to sufficient funds being available).

### **What if a member dies before retirement whilst still a member of the Scheme?**

A lump sum of three times the rate of annual salary at the date of death plus a refund of the member's contributions with interest is payable to the member's nominee(s).

A survivor's pension of 50% of the member's prospective pension to age 65 is available.

Up to four dependent children can each receive a pension of 12.5% of the member's potential

pension to age 65. The children's pensions will be doubled if a survivor's pension is not paid.

### **What will be payable on a member's death after retirement?**

If the member dies within five years of retiring, the Scheme will pay a lump sum equal to the unpaid balance of five years' pension payments (at the rate of the pension payable at the date of death).

A survivor's pension of 50% of the member's pension would be paid. This excludes any reduction for taking a tax-free cash lump sum option at retirement. Up to four dependent children will each receive a pension of 12.5% of the member's pension. Children's pensions will be doubled if a survivor's pension is not paid.

### **What happens if a member leaves the Scheme?**

The member can:

- take a refund of their own contributions, less tax, and an amount to buy them back into the additional State Pension, if they leave the Scheme with less than two years' qualifying service; or
- leave their benefits in the Scheme i.e. take a deferred pension (deferred pensions are increased each year before retirement); or
- transfer the value of the benefits to another pension arrangement.

Members will normally leave the Scheme because they change employers. If the member's new employer participates in the Scheme, the member could have unbroken membership, if they rejoin the Scheme within 30 days.

### **What will be payable on a member's death in deferment?**

A lump sum equal to the member's contributions with interest will be paid to whoever has been nominated.

A survivor's pension of 50% of the member's deferred pension at the date of death.

Up to four dependent children will each receive a pension of 12.5% of the member's pension. Children's pensions will be doubled if a survivor's pension is not paid.

### **What if a member is temporarily absent from work?**

Members who are absent from work on reduced pay or without pay may remain members of the Scheme for up to three years.

If the member's pay ceases, their contributions will stop. The member can choose to pay arrears on returning to work (however the employer is not obliged to pay its share), or have their benefits adjusted to reflect the break in membership.

If absence is due to illness or injury, membership of the Scheme may be retained for the whole period of absence. The employer must agree the level of benefits to be provided for the member and pay the balance of the cost of this provision.

### **How much does it cost the employee and the employer?**

The total cost of providing benefits depends on which benefit structure the employer has chosen. The current cost of each benefit structure is as follows:

- |   |   |       |
|---|---|-------|
| • 1/60th Final Salary benefit structure | = | 22%   |
| • 1/70th Final Salary benefit structure | = | 19.7% |
| • 1/60th CARE benefit structure         | = | 18.5% |

These rates apply to existing employers and are required to fund past service liability and future accrual. New employers will contribute at 4.4% less than the amounts shown. This arrangement applies until two valuations have been completed following the date of the employer joining the Scheme.

Member contribution rates are set by each employer. These can be at a fixed rate for all members or age banded. The age bands are:

- less than 30 years;
- 30-39 years; and
- 40 years and over.

The rate changes on 1 April following the member reaching each age band.

Illustrative rates have been produced which can be used by employers as an alternative. Further information is available on request.

Employers will be required to pay, as an absolute minimum, not less than 50% of the total contribution rate.

Members may pay Additional Voluntary Contributions (AVCs) in order to increase their pension in retirement. Employers must choose one or more suitable arrangements for this purpose, which will be administered by The Pensions Trust. Alternatively, members may arrange to pay extra pension contributions to a provider of their choice (in which case responsibility for making payments rests with the member).

### **Existing pension arrangements**

Even if you have an existing pension scheme, it should still be possible for your association to switch to SHPS. The New Business Team at The Pensions Trust will be happy to advise you on the options available, and to assist wherever possible.

### **Promoting your scheme**

Upon joining SHPS, a representative of The Pensions Trust will, where possible, make a presentation to staff and explain the Scheme. A full range of literature describing the Scheme is available for employees. The Pensions Trust will also be happy to visit from time to time, wherever possible, to do a formal presentation, and to offer assistance to employees.

### **Transferring between participating employers**

A number of staff are likely to move between participating employers. Provided the new employer participates in the Scheme and agrees to pay the relevant past service liability contribution, then that member will be entitled to continue their membership.

If the member rejoins within 30 days, membership will be unbroken.

Where a member has two or more separate memberships under the Scheme as at 31 March 2007, these will be combined where it is more beneficial to the member. This will be done when the member's benefits come into payment.

### **Pensions Committee**

The Scheme is managed by the SHPS Pensions Committee. This Committee consists of nine members: three are nominated and elected by the employers; three are nominated and elected by the active and deferred members; one is nominated and elected by the Scheme's pensioners; one representative is nominated by the National Housing Federation; and one by the Welsh Federation of Housing Associations. All the Committee members are unpaid volunteers.

The responsibilities of the Committee are:

- to monitor The Pensions Trust's administration of the Scheme;
- to ensure the benefits provided by the Scheme are adequate and comply with legislation;
- to ensure the Scheme is financially secure;
- to ensure the investment performance of The Pensions Trust is satisfactory;
- to agree any benefit augmentations by participating employers in the Scheme;
- to receive the accounts of the Scheme;
- to agree the actuarial valuation, including the Statement of Funding Principles, Schedule of Contributions and if required, the Recovery Plan; and
- to agree the Scheme's investment strategy with the Trustee.

### **Payment of contributions**

It is a requirement of the Pensions Act 1995 that pension contributions must reach The Pensions Trust by the 19th of the month following the month to which they relate. Failure by the employer to do this is a civil offence.

Civil penalties can be imposed on employers by The Pensions Regulator.

To ensure The Pensions Trust has time to contact 'late payers', we ask that employers remit contributions by the 14th of the month after the contributions were deducted from member's pay.

Please ensure that you are able to comply with this requirement. The Pensions Trust is legally obliged to report any late payments to The Pensions Regulator and advises that (in the past) fines on employers have been imposed as a result.

To facilitate the prompt payment of contributions, The Pensions Trust has introduced a user-friendly on-line system, eBusiness. Use of eBusiness is a requirement of participation in SHPS. Further information can be found online at [www.shps.org.uk](http://www.shps.org.uk) under the 'eBusiness' section.

It is not possible to join SHPS if you are unable to meet this requirement.

### **Trustee's insurance**

In order to provide some protection against inadvertent regulatory failures for which the Trustee and the Pensions Committee are responsible, every participating employer is required to pay a small premium, which is currently approximately £20 every three years. You will be advised when payment is due.

## Definitions

### **Dependent Child**

is a child aged under 18, or under 22 if in full-time education; or a disabled child of any age who is unable to work as a result of his/her disability.

### **Pensionable Earnings**

is normal gross pay including London Weighting (where applicable), shift pay, contractual bonuses, overtime, allowances and such other emoluments as agreed with the Pensions Committee, but excluding non-contractual overtime.

### **Final Pensionable Earnings**

is the average of Pensionable Earnings over the three years before leaving or retirement increased by the rise in the Retail Prices Index (RPI) in the year ending six months before the date of leaving or retirement.

### **Survivor**

is the member's husband, wife, civil partner, partner or cohabitee with whom living expenses are shared. The pension on death will be reduced if the survivor is more than ten years younger than the member. Eligibility must be confirmed before payment is made.

## Further Information

For more information about the Scheme or to enrol, please contact the New Business Team on 0845 123 6660, or write to:

New Business Team  
The Pensions Trust  
Verity House  
6 Canal Wharf  
Leeds  
LS11 5BQ

Tel: 0845 123 6660

Fax: 0113 234 5599

Email: [contact@thepensionstrust.org.uk](mailto:contact@thepensionstrust.org.uk)

This booklet is intended to provide an explanation of the main benefits under SHPS. If there is any conflict between the interpretation given in this guide and the formal Trust Deed and Rules, or the Scheme Document, the legal interpretation of the formal documents will prevail. Copies of the Trust Deed and Rules and Scheme Document are available from The Pensions Trust.

The Pensions Trust is not registered under the Financial Services and Markets Act to give financial advice. Any information that is provided to members or prospective members should, therefore, be taken to constitute information and not taken to constitute advice. When providing information to members or prospective members, the Trust takes care to provide an accurate service but the decision and choice remains the individual's for which The Pensions Trust cannot be responsible.



Administered by  
The Pensions Trust

Verity House, 6 Canal Wharf, Leeds LS11 5BQ  
tel: 0845 123 6660 fax: 0113 234 5599

email: [contact@thepensionstrust.org.uk](mailto:contact@thepensionstrust.org.uk)  
or visit [www.thepensionstrust.org.uk](http://www.thepensionstrust.org.uk)  
[www.shps.org.uk](http://www.shps.org.uk)